

ANNUAL STATEMENT

OF THE

Preferred Health Partnership of Tennessee, Inc.

of

Knoxville

in the state of

Tennessee

TO THE

Insurance Department

OF THE STATE OF

Tennessee

For the Year Ending
December 31, 2007

2007



ANNUAL STATEMENT
For the Year Ending December 31, 2007
OF THE CONDITION AND AFFAIRS OF THE
Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253 (Current Period)	1253 (Prior Period)	NAIC Company Code	95749	Employer's ID Number	62-1546662
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[] N/A[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated/Organized	01/01/1994		Commenced Business	01/01/1994		
Statutory Home Office	1420 Centerpoint Blvd. (Street and Number)		Knoxville , TN 37932 (City or Town, State and Zip Code)			
Main Administrative Office			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Mail Address	1420 Centerpoint Blvd. (Street and Number or P.O. Box)		Knoxville, TN 37932 (City or Town, State and Zip Code)			
Primary Location of Books and Records			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Internet Website Address						
Statutory Statement Contact	Melissa R Anderson (Name)		(865)670-7282 (Area Code)(Telephone Number)(Extension)			
	manders1@covhlth.com (E-Mail Address)		(865)470-7461 (Fax Number)			

OFFICERS

Name	Title
Lance K. Hunsinger	President
Jeffery S. Collake	Chief Financial Officer
Jeffery S. Collake	Secretary

OTHERS

DIRECTORS OR TRUSTEES

Thomas Rowe Bell	Kenneth Truman Creed
Daniel J. David MD	Michael McKay Dudley
Marvin H. Eichorn	Randolph Murphree Lowry MD
Kenneth Frederick Luckman MD	Cletus Joseph McMahon Jr. MD
Michael Earl Mitchell MD	David A. Nowiski
Francis H. Olmstead Jr.	Anthony L. Spezia
Dean M. Turner MD	Sandra L. Mathy

State of	Tennessee	
County of	Knox	ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Lance K. Hunsinger	Jeffery S. Collake	Jeffery S. Collake
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President	Chief Financial Officer	Secretary
(Title)	(Title)	(Title)
Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[]
day of , 2008	b. If no, 1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	54,143,000		54,143,000	51,260,404
2.	Stocks (Schedule D)				
2.1	Preferred stocks				
2.2	Common Stocks				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances)				
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$.....911,620 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....1,500,000 Schedule DA)	2,411,620		2,411,620	3,700,088
6.	Contract loans (including \$.....0 premium notes)				
7.	Other invested assets (Schedule BA)				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	56,554,620		56,554,620	54,960,492
11.	Title plants less \$.....0 charged off (for Title insurers only)				
12.	Investment income due and accrued	757,046		757,046	741,670
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans				
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset	6,380,244	6,380,244		
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets (\$.....0)				
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates	151,795	151,795		
22.	Health care (\$.....0) and other amounts receivable				
23.	Aggregate write-ins for other than invested assets	224		224	10,695
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	63,843,929	6,532,039	57,311,890	55,712,857
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	63,843,929	6,532,039	57,311,890	55,712,857
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	A/R Risk Share				
2302.	A/R State Admin	224		224	10,695
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	224		224	10,695

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded)				
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses				
4.	Aggregate health policy reserves	5,903,520		5,903,520	6,847,440
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	19,100		19,100	22,575
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates				
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans				75,963
21.	Aggregate write-ins for other liabilities (including \$.....0 current)	12,240,037		12,240,037	15,214,333
22.	Total liabilities (Lines 1 to 21)	18,162,657		18,162,657	22,160,311
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	1,000	1,000
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	61,379,848	61,379,848
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	(22,231,615)	(27,828,302)
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	39,149,233	33,552,546
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	57,311,890	55,712,857
DETAILS OF WRITE-INS					
2101.	Accrued Run-Out Costs	10,029,960		10,029,960	10,986,297
2102.	Risk Share Audit Reserve				2,040,320
2103.	Penalty Reserve	445,800		445,800	1,086,750
2198.	Summary of remaining write-ins for Line 21 from overflow page	1,764,277		1,764,277	1,100,966
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	12,240,037		12,240,037	15,214,333
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X		
2.	Net premium income (including \$.....0 non-health premium income)	X X X		
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$.....0 medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X	3,653,634	29
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	3,653,634	29
Hospital and Medical:				
9.	Hospital/medical benefits			2,807
10.	Other professional services			(1,214)
11.	Outside referrals			
12.	Emergency room and out-of-area			291
13.	Prescription drugs		(22,860)	(20,386)
14.	Aggregate write-ins for other hospital and medical		(129,137)	(618,133)
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		(151,997)	(636,635)
Less:				
17.	Net reinsurance recoveries			
18.	Total hospital and medical (Lines 16 minus 17)		(151,997)	(636,635)
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....650,606 cost containment expenses		1,159,954	591,262
21.	General administrative expenses		2,239,962	980,865
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		3,247,919	935,492
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	405,715	(935,463)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,313,664	2,401,115
26.	Net realized capital gains (losses) less capital gains tax of \$.....0		(71,466)	(59,332)
27.	Net investment gains (losses) (Lines 25 plus 26)		2,242,198	2,341,783
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29.	Aggregate write-ins for other income or expenses			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	2,647,913	1,406,320
31.	Federal and foreign income taxes incurred	X X X	(107,346)	280,622
32.	Net income (loss) (Lines 30 minus 31)	X X X	2,755,259	1,125,698
DETAILS OF WRITE-INS				
0601.	Miscellaneous Income	X X X	3,653,634	29
0602.	.....	X X X		
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	3,653,634	29
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Recoveries		(129,137)	(618,133)
1402.	.....		
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		(129,137)	(618,133)
2901.	.....		
2902.	.....		
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	33,552,546	35,344,903
34.	Net income or (loss) from Line 32	2,755,259	1,125,698
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax	(1,033,059)	7,413,304
39.	Change in nonadmitted assets	3,874,487	(10,370,062)
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus		38,703
48.	Net change in capital and surplus (Lines 34 to 47)	5,596,687	(1,792,357)
49.	Capital and surplus end of reporting year (Line 33 plus 48)	39,149,233	33,552,546
DETAILS OF WRITE-INS			
4701.	Change in Unrealized Valuation		38,703
4702.	.....	
4703.	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		38,703

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance		
2.	Net investment income	2,594,584	2,630,584
3.	Miscellaneous income	3,653,634	29
4.	Total (Lines 1 through 3)	6,248,218	2,630,613
5.	Benefit and loss related payments	791,923	(752,074)
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	2,631,979	5,883,537
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	862,425	
10.	Total (Lines 5 through 9)	4,286,327	5,131,463
11.	Net cash from operations (Line 4 minus 10)	1,961,891	(2,500,850)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	21,056,223	28,006,392
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		(85,283)
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	21,056,223	27,921,109
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	24,306,582	23,518,803
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	24,306,582	23,518,803
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(3,250,359)	4,402,306
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(1,288,468)	1,901,456
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	3,700,088	1,798,632
19.2	End of year (Line 18 plus Line 19.1)	2,411,620	3,700,088

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
---------	-------	--	--

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

		1	2	3	4	5	6	7	8	9	10
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1.	Net premium income										
2.	Change in unearned premium reserves and reserve for rate credit										
3.	Fee-for-service (net of \$.....0 medical expenses)										X X X
4.	Risk revenue										X X X
5.	Aggregate write-ins for other health care related revenues	3,653,634							3,653,634		X X X
6.	Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7.	Total revenues (Lines 1 to 6)	3,653,634							3,653,634		
8.	Hospital/medical benefits										X X X
9.	Other professional services										X X X
10.	Outside referrals										X X X
11.	Emergency room and out-of-area										X X X
12.	Prescription drugs	(22,860)							(22,860)		X X X
13.	Aggregate write-ins for other hospital and medical	(129,137)							(129,137)		X X X
14.	Incentive pool, withhold adjustments and bonus amounts										X X X
15.	Subtotal (Lines 8 to 14)	(151,997)							(151,997)		X X X
16.	Net reinsurance recoveries										X X X
17.	Total hospital and medical (Lines 15 minus 16)	(151,997)							(151,997)		X X X
18.	Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19.	Claims adjustment expenses including \$.....650,606 cost containment expenses	1,159,954							1,159,954		
20.	General administrative expenses	2,239,962							2,239,962		
21.	Increase in reserves for accident and health contracts										X X X
22.	Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23.	Total underwriting deductions (Lines 17 to 22)	3,247,919							3,247,919		
24.	Net underwriting gain or (loss) (Line 7 minus Line 23)	405,715							405,715		
DETAILS OF WRITE-INS											
0501.	Miscellaneous Income	3,653,634							3,653,634		X X X
0502.	.....										X X X
0503.	.....										X X X
0598.	Summary of remaining write-ins for Line 5 from overflow page										X X X
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	3,653,634							3,653,634		X X X
0601.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698.	Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301.	Recoveries	(129,137)							(129,137)		X X X
1302.	.....										X X X
1303.	.....										X X X
1398.	Summary of remaining write-ins for Line 13 from overflow page										X X X
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	(129,137)							(129,137)		X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan	N O N E		.....	.....
6.	Title XVIII - Medicare .....			.....	.....
7.	Title XIX - Medicaid .....			.....	.....
8.	Other health .....			.....	.....
9.	Health subtotal (Lines 1 through 8) .....	.....	.....	.....	.....
10.	Life .....	.....	.....	.....	.....
11.	Property/casualty .....	.....	.....	.....	.....
12.	TOTALS (Lines 9 to 11) .....	.....	.....	.....	.....

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	(151,998)							(151,998)		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	(151,998)							(151,998)		
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct										
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net										
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	(151,998)							(151,998)		
12.2 Reinsurance assumed										
12.3 Reinsurance ceded										
12.4 Net	(151,998)							(151,998)		
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct										
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net										
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										

NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid	(151,998)	.....	.....	.....	(151,998)	.....
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8)	(151,998)	.....	.....	.....	(151,998)	.....
10.	Healthcare receivables (a) .....	.....	.....	.....	.....	.....	.....
11.	Other non-health .....	.....	.....	.....	.....	.....	.....
12.	Medical incentive pool and bonus amounts .....	.....	.....	.....	.....	.....	.....
13.	TOTALS (Lines 9 - 10 + 11 + 12)	(151,998)	.....	.....	.....	(151,998)	.....

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	299,929	299,929	288,742	288,742	288,742
2.	2003					
3.	2004	X X X				
4.	2005	X X X	X X X			
5.	2006	X X X	X X X	X X X		
6.	2007	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	335,348	335,903	335,161	288,742	288,742
2.	2003					
3.	2004	X X X				
4.	2005	X X X	X X X			
5.	2006	X X X	X X X	X X X		
6.	2007	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2003				N O N E						
2.	2004										
3.	2005										
4.	2006										
5.	2007										

12 Total

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare	NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	299,929	299,929	288,742	288,742	288,742
2.	2003					
3.	2004	X X X				
4.	2005	X X X	X X X			
5.	2006	X X X	X X X	X X X		
6.	2007	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	335,348	335,903	335,161	288,742	288,742
2.	2003					
3.	2004	X X X				
4.	2005	X X X	X X X			
5.	2006	X X X	X X X	X X X		
6.	2007	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2003				NONE						
2.	2004										
3.	2005										
4.	2006										
5.	2007										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Other

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior					
2.	2003					
3.	2004					
4.	2005					
5.	2006					
6.	2007					

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior					
2.	2003					
3.	2004					
4.	2005					
5.	2006					
6.	2007					

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2003										
2.	2004										
3.	2005										
4.	2006										
5.	2007										

12 Other

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)	5,903,520							5,903,520	
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)	5,903,520							5,903,520	
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)	5,903,520							5,903,520	
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 7)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page ..									
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .									
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)									

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$.....0 for occupancy of own building)			507,499		507,499
2.	Salaries, wages and other benefits	2,685,737	1,433,564	4,882,490		9,001,791
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed)					
4.	Legal fees and expenses		561	364,369		364,930
5.	Certifications and accreditation fees					
6.	Auditing, actuarial and other consulting services	8,014	545,278	1,270,744		1,824,037
7.	Traveling expenses	20,949	341	47,696		68,986
8.	Marketing and advertising	2,441		3,848		6,290
9.	Postage, express and telephone	77,021	277,814	558,995		913,829
10.	Printing and office supplies	27,150	9,336	301,884		338,370
11.	Occupancy, depreciation and amortization			1,167,298		1,167,298
12.	Equipment	8,908	1,333	64,126		74,367
13.	Cost or depreciation of EDP equipment and software					
14.	Outsourced services including EDP, claims, and other services					
15.	Boards, bureaus and association fees	7,947		95,489		103,436
16.	Insurance, except on real estate			298,828		298,828
17.	Collection and bank service charges			1,666		1,666
18.	Group service and administration fees					
19.	Reimbursements by uninsured plans	(2,724,051)	(2,132,615)	(9,378,605)		(14,235,271)
20.	Reimbursements from fiscal intermediaries					
21.	Real estate expenses					
22.	Real estate taxes					
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes					
23.2	State premium taxes					
23.3	Regulator authority licenses and fees					
23.4	Payroll taxes	174,163	90,801	300,223		565,186
23.5	Other (excluding federal income and real estate taxes)			109,936		109,936
24.	Investment expenses not included elsewhere				74,993	74,993
25.	Aggregate write-ins for expenses	362,326	282,935	1,643,476		2,288,738
26.	Total expenses incurred (Lines 1 to 25)	650,606	509,348	2,239,962	74,993	(a) 3,474,909
27.	Less expenses unpaid December 31, current year			19,100		19,100
28.	Add expenses unpaid December 31, prior year			22,575		22,575
29.	Amounts receivable relating to uninsured plans, prior year					
30.	Amounts receivable relating to uninsured plans, current year					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	650,606	509,348	2,243,437	74,993	3,478,384
DETAILS OF WRITE-INS						
2501.	Dues/Fees/Licenses	59,689		46,642		106,331
2502.	Education & Seminars	6,293	2,614	52,875		61,782
2503.	Meals & Entertainment	4,643	353	17,794		22,790
2598.	Summary of remaining write-ins for Line 25 from overflow page	291,701	279,969	1,526,165		2,097,835
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above)	362,326	282,935	1,643,476		2,288,738

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a)..... 497,322	..... 421,612
1.1	Bonds exempt from U.S. tax	(a)..... 1,389,398	..... 1,888,191
1.2	Other bonds (unaffiliated)	(a).....	.....
1.3	Bonds of affiliates	(a).....	.....
2.1	Preferred stocks (unaffiliated)	(b).....	.....
2.11	Preferred stocks of affiliates	(b).....	.....
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c).....	
4.	Real estate	(d).....	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e)..... 72,727	..... 78,853
7.	Derivative instruments	(f).....	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income .....	..... 1,959,447	..... 2,388,657
11.	Investment expenses		(g)..... 74,993
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h).....
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15) .....		..... 74,993
17.	Net Investment income (Line 10 minus Line 16) .....		..... 2,313,664
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		
(a) Includes \$.....30,639 accrual of discount less \$.....326,456 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.			
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.			
(e) Includes \$.....3,850 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.			
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.			
(i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	..... 26,674	.....	..... 26,674	.....	.....
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated) .....	..... (98,140)		..... (98,140)		
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses) .....	..... (71,466)	.....	..... (71,466)	.....	.....
DETAILS OF WRITE-INS						
0901.	.....	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....	.....

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
2.1	Preferred stocks			
2.2	Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens			
3.2	Other than first liens			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company			
4.2	Properties occupied for the production of income			
4.3	Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Other invested assets (Schedule BA)			
8.	Receivables for securities			
9.	Aggregate write-ins for invested assets			
10.	Subtotals, cash and invested assets (Lines 1 to 9)			
11.	Title plants (for Title insurers only)			
12.	Invested income due and accrued			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection			
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3	Accrued retrospective premiums			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers			
14.2	Funds held by or deposited with reinsured companies			
14.3	Other amounts receivable under reinsurance contracts			
15.	Amounts receivable relating to uninsured plans			
16.1	Current federal and foreign income tax recoverable and interest thereon			
16.2	Net deferred tax asset	6,380,244	7,413,304	1,033,060
17.	Guaranty funds receivable or on deposit			
18.	Electronic data processing equipment and software			
19.	Furniture and equipment, including health care delivery assets			
20.	Net adjustment in assets and liabilities due to foreign exchange rates			
21.	Receivables from parent, subsidiaries and affiliates	151,795	2,993,222	2,841,427
22.	Health care and other amounts receivable			
23.	Aggregate write-ins for other than invested assets			
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	6,532,039	10,406,526	3,874,487
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26.	Total (Lines 24 and 25)	6,532,039	10,406,526	3,874,487
DETAILS OF WRITE-INS				
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.	.....		
2302.	.....		
2303.	.....		
2398.	Summary of remaining write-ins for Line 23 from overflow page			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)			

17 Exhibit 1 - Enrollment By Product Type NONE

18 Exhibit 2 - Accident and Health Premiums NONE

19 Exhibit 3 - Health Care Receivables NONE

20 Exhibit 4 - Claims Unpaid NONE

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
Preferred Health Partnership Companies	140,389				140,389		
Cariten Health Plan Inc	11,406				11,406		
0199999 Total - Individually listed receivables	151,795				151,795		
0299999 Receivables not inidividually listed							
0399999 Total gross amounts receivable	151,795				151,795		

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
	<div>NONE</div>			
0399999 Total gross payables .....	..... X X X .....	.....	.....	.....

23

23

23

23

EXHIBIT 8 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

		1	2	3	4	5	6
Description		Cost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
1.	Administrative furniture and equipment .....	.....	.....	.....	.....	.....	.....
2.	Medical furniture, equipment and fixtures	N O N E		.....	.....	.....	.....
3.	Pharmaceuticals and surgical supplies .....			.....	.....	.....	.....
4.	Durable medical equipment .....			.....	.....	.....	.....
5.	Other property and equipment .....			.....	.....	.....	.....
6.	Total .....	.....	.....	.....	.....	.....	.....

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Preferred Health Partnership of Tennessee, Inc. are presented on the basis of accounting practices prescribed or permitted by the NAIC Accounting Practices and Procedures manual and the state of Tennessee Department of Commerce and Insurance.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

The plan does not receive premiums from the State; the plan does receive a monthly capitation check to pay for the claims and administrative expenses of the company. This capitation revenue is recognized as income in the period it is received, as it exceeds administrative expenses by direction of the TennCare Bureau. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) All investments with maturities of one year or less at the time of acquisition are considered short-term investments.
- (2) Bonds consist of US Government securities, municipal bonds, corporate bonds, and other, are carried at amortized cost if the bond has a NAIC designation of 1 or 2. Bonds with a NAIC designation of 3 to 6 are reported at the lower of amortized cost or fair value. Unrealized losses on investments with NAIC designations of 3 to 6 are recorded as a direct charge to surplus. Cost of investments sold is determined using the specific identification method. Bond discounts and premiums are amortized or accreted over the life of the bond on a straight-line basis, which approximates the constant yield interest method.
- (3) Common stock is stated at par.
- (4) Not applicable
- (5) Not applicable
- (6) Not applicable
- (7) Not applicable
- (8) Not applicable
- (9) Not applicable
- (10) Anticipated investment income is not a factor in the premium deficiency calculations.
- (11) Liabilities for losses and loss/claim adjustment expenses include an amount determined based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods of making such estimates and for establishing the resulting liability is reviewed on a monthly basis and any adjustments are reflected in the period determined.
- (12) Not applicable
- (13) Not applicable

2. Accounting Changes and Corrections of Errors

A. No errors or changes in accounting principles have occurred.

3. Business Combinations and Goodwill

Not applicable

4. Discontinued Operations

Not applicable

5. Investments

Not applicable

6. Joint Ventures, Partnerships, and Limited Liability Companies

Not applicable

7. Investment Income

All investment income due and accrued was admitted.

8. Derivative Instruments

Not applicable

9. Income Taxes

A.-E The Income tax calculation is not available at this time. The estimate income tax expense is \$862,425.

Notes to Financial Statement

Completed tax informantion will be filed in an amended statement as soon as it becomes available.

- F. (1) The Plan's federal income tax return is consolidated with the following entities:
PHP Companies, Inc
Preferred Health Partnership, Inc.
Cariten Health Plan, Inc.
Cariten Insurance Company
- (2) Tax payments and the recoupment (in the event of future losses) of taxes paid pursuant to the tax allocation agreement are computed on a separate company basis as determined in accordance with the tax allocation agreement.

10. Information concerning Parent, Subsidiaries, and Affiliates

- A. The Plan is a wholly-owned subsidiary of PHP Companies, Inc., a holding company domiciled in the State of Tennessee. PHP Companies, Inc. is a wholly-owned subsidiary of Covenant Health, a non-profit organization domiciled in the State of Tennessee. The holding company group consist of the following companies: Preferred Health Partnership, Inc., Cariten Health Plan, Inc., Preferred Health Partnership of Tennessee, Inc., and Cariten Insurance Company.
- B. The Plan periodically transfers cash to the parent, PHP Companies, Inc., to reimburse for cost allocations and Plan expenses recorded on the Plan's behalf by the parent. The following amounts were transferred to the parent during 2007: (1) \$1,000,000 on 01/22/07 (2) \$1,000,000 on 02/13/07 (3) \$200,000 on 02/22/07 (4) \$1,000,000 on 03/09/07 (5) \$250,000 on 03/21/07 (6) \$1,000,000 on 04/13/07 (7) \$200,000 on 04/23/07 (8) \$1,000,000 on 06/12/07 (9) \$2,000,000 on 06/29/07 (10) \$1,000,000 on 07/13/07 (11) \$300,000 on 07/30/07 (12) \$1,250,000 on 08/09/07 (13) \$1,250,000 on 09/13/07 (14) \$2,000,000 on 10/15/07 (15) \$750,000 on 10/26/07 (16) \$1,250,000 on 11/15/07 (17) \$1,500,000 on 12/17/07.
- C. The Plan transferred \$16,950,000 to PHP Companies and PHP Companies transferred \$200,000 to the plan. Cost allocations received from the parent company totaled \$17,579,926. Plan expenses paid by the parent on behalf of the plan totaled \$995,212.76.
- D. As of December 31, 2007 the Plan has a receivable from PHP Companies, Inc. in the amount of \$140,389.24.
- E. Not applicable
- F. The parent company of the Plan accumulates operating costs and allocates these expenses monthly to the operating entities listed above. Allocations are based proportionally on the membership counts of the companies listed above with government program memberships doubled, due to higher administration costs.
- G-K. Not applicable

11. Debt

Not applicable

12. Retirement Plans, Deferred Compensation, Post employment benefits and Compensated Absences and Other Postretirement Benefit Plans.

Not applicable

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) The Plan has 1,000 shares of \$1 par common stock authorized and outstanding. All stock is owned by the parent company, PHP Companies, Inc.
- (2) Not applicable
- (3) No dividends are paid
- (4) Not applicable
- (5) No restrictions are placed on surplus.
- (6) Not applicable
- (7) No stock is held by the Company.
- (8) Not applicable
- (9) Not applicable
- (10) Not applicable
- (11) Not applicable
- (12) Not applicable

14. Contingencies

Notes to Financial Statement

Not applicable

15. Leases

Not applicable

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

Not applicable

17. Sales, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

Not applicable

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Not applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable

20. September 11 Events

Not applicable

21. Other Items

Not applicable

22. Events Subsequent

Not applicable

23. Reinsurance

Not applicable

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable

25. Change in Incurred Claims and Claim Adjustment Expenses

Not applicable

26. Intercompany Pooling Arrangements

Not applicable

27. Structured Settlements

Not applicable

28. Health Care Receivables

Not applicable

29. Participating Policies

Not applicable

30. Premium Deficiency Reserves

As of December 31, 2007, the Company had liabilities of \$5,903,520 related to premium deficiency reserves. The Company did not consider anticipated investment income when calculating its premium deficiency reserves.

31. Anticipated Salvage and Subrogation

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities	3,769,325	6.665	3,769,325	6.665
1.2	U.S. government agency obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies	10,967,230	19.392	10,967,230	19.392
1.22	Issued by U.S. government sponsored agencies				
1.3	Foreign government (including Canada, excluding mortgage-backed securities)				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations	25,255,793	44.657	25,255,793	44.657
1.43	Revenue and assessment obligations				
1.44	Industrial development and similar obligations	14,150,652	25.021	14,150,652	25.021
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA				
1.512	Issued or Guaranteed by FNMA and FHLMC				
1.513	All other				
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523	All other				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2	Unaffiliated foreign securities				
2.3	Affiliated securities				
3.	Equity interests:				
3.1	Investments in mutual funds				
3.2	Preferred stocks:				
3.21	Affiliated				
3.22	Unaffiliated				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated				
3.32	Unaffiliated				
3.4	Other equity securities:				
3.41	Affiliated				
3.42	Unaffiliated				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated				
3.52	Unaffiliated				
4.	Mortgage loans:				
4.1	Construction and land development				
4.2	Agricultural				
4.3	Single family residential properties				
4.4	Multifamily residential properties				
4.5	Commercial loans				
4.6	Mezzanine real estate loans				
5.	Real estate investments:				
5.1	Property occupied by company				
5.2	Property held for production of income (including \$.....0 of property acquired in satisfaction of debt)				
5.3	Property held for sale (including \$.....0 property acquired in satisfaction of debt)				
6.	Contract loans				
7.	Receivables for securities				
8.	Cash, cash equivalents and short-term investments	2,411,620	4.264	2,411,620	4.264
9.	Other invested assets				
10.	Total invested assets	56,554,620	100.000	56,554,620	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
Tennessee
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2005
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2005
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/28/2006
- 3.4 By what department or departments?
Tennessee Department of Commerce & Insurance - TennCare Division
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

0.000%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
		.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Pershing, Yoakley, & Associates, One Perkins Place, 525 Portland Street, Knoxville, TN 37919
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Glen A. Giese, Oliver Wyman Consulting Actuaries, 411 E. Wisconsin Ave., Suite 1600, Milwaukee, WI 53202-4419
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes[] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved
- 11.13 Total book/adjusted carrying value

\$ 0
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[] No[] N/A[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes[] No[] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)

- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.

Yes[X] No[]
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended?

Yes[] No[X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes[] No[X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[X] No[]
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[]
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes[X] No[]

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes[] No[X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$ 0

18.12 To stockholders not officers

\$ 0

18.13 Trustees, supreme or grand (Fraternal only)

\$ 0
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$ 0

18.22 To stockholders not officers

\$ 0

18.23 Trustees, supreme or grand (Fraternal only)

\$ 0
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[] No[X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$ 0

19.22 Borrowed from others

\$ 0

19.23 Leased from others

\$ 0

19.24 Other

\$ 0
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[] No[X]
- 20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment

\$ 0

20.22 Amount paid as expenses

\$ 0

20.23 Other amounts paid

\$ 0
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[] No[X]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ 0

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date?

Yes[] No[X]
- 22.2 If no, give full and complete information, relating thereto:
Northern Trust PO Box 75986, Chicago, IL 60675-5986
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1).

Yes[] No[X]
- 23.2 If yes, state the amount thereof at December 31 of the current year:

23.21 Loaned to others

\$ 0

23.22 Subject to repurchase agreements

\$ 0

23.23 Subject to reverse repurchase agreements

\$ 0

23.24 Subject to dollar repurchase agreements

\$ 0

23.25 Subject to reverse dollar repurchase agreements

\$ 0

23.26 Pledged as collateral

\$ 0

23.27 Placed under option agreements

\$ 0

23.28 Letter stock or securities restricted as to sale

\$ 0

23.29 On deposit with state or other regulatory body

\$ 0

23.291 Other

\$ 0
- 23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[] No[X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[] N/A[X]
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[] No[X]
- 25.2 If yes, state the amount thereof at December 31 of the current year.

\$ 0
26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]
- 26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

GENERAL INTERROGATORIES (Continued)

1 Name of Custodian(s)	2 Custodian's Address
Northern Trust Company	PO Box 75986, Chicago, IL 60675-5986

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes[] No[X]
26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

26.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
108718	Martin and Company	Two Centre Square, Suite 200
.....	.....	625 S Gay Street, Knoxville, TN 37902-1669

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[] No[X]
27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 Total

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

28. Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds .....	..... 55,643,000	..... 56,082,550	..... 439,550
28.2 Preferred stocks .....	.....	.....	.....
28.3 Totals .....	..... 55,643,000	..... 56,082,550	..... 439,550

28.4 Describe the sources of methods utilized in determining the fair values

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[]
29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$. 0
30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

GENERAL INTERROGATORIES (Continued)

1	2
Name	Amount Paid
.....

31.1 Amount of payments for legal expenses, if any?

31.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

\$..... 364,930

1	2
Name	Amount Paid
Wagner, Myers & Sanger, PC .....	..... 346,270

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any?

32.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

\$..... 0

1	2
Name	Amount Paid
.....

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[] No[X]

1.2 If yes, indicate premium earned on U.S. business only:

\$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31 Reason for excluding:

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies - Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

..... 0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

..... 0

1.7 Group policies - Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

..... 0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

..... 0

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator .....	.....	.....
2.2	Premium Denominator .....	.....	.....
2.3	Premium Ratio (2.1 / 2.2) .....	.....	.....
2.4	Reserve Numerator .....	.....	.....
2.5	Reserve Denominator .....	.....	.....
2.6	Reserve Ratio (2.4 / 2.5) .....	.....	.....

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[] No[X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes[X] No[]

4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[] No[X]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes[] No[X]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive Medical

\$ 0

5.32 Medical Only

\$ 0

5.33 Medicare Supplement

\$ 0

5.34 Dental

\$ 0

5.35 Other Limited Benefit Plan

\$ 0

5.36 Other

\$ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

7.1 Does the reporting entity set up its claim liability for provider services on a service date base?

Yes[X] No[]

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

..... 4,327

8.2 Number of providers at end of reporting year

..... 4,251

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[] No[X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

..... 0

9.22 Business with rate guarantees over 36 months

..... 0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[] No[X]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$ 0

10.22 Amount actually paid for year bonuses

\$ 0

10.23 Maximum amount payable withholds

\$ 0

10.24 Amount actually paid for year withholds

\$ 0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes[] No[X]

11.13 An Individual Practice Association (IPA), or,

Yes[] No[X]

11.14 A Mixed Model (combination of above)?

Yes[] No[X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[]

11.3 If yes, show the name of the state requiring such net worth.

Tennessee

11.4 If yes, show the amount required.

\$ 6,837,598

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[] No[X]

11.6 If the amount is calculated, show the calculation.

Based on total premium of \$205,839,839.97 (\$150,000,000 x 4.00% = \$6,000,000 plus \$55,839,839.97 x 1.50% = 837,597.60)

12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
Hamilton CSA
East TN CSA
Southeast CSA
Knox CSA
First Tennessee CSA

FIVE-YEAR HISTORICAL DATA

	1 2007	2 2006	3 2005	4 2004	5 2003
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	57,311,890	55,712,857	59,028,032	62,005,506	59,027,669
2. Total liabilities (Page 3, Line 22)	18,162,657	22,160,311	23,683,129	35,744,876	37,841,106
3. Statutory surplus	6,837,598	6,583,291	7,247,122	7,338,566	7,694,827
4. Total capital and surplus (Page 3, Line 31)	39,149,233	33,552,546	35,344,903	26,260,630	21,186,563
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	3,653,634	29	4,822,730	4,031,669	1,444,871
6. Total medical and hospital expenses (Line 18)	(151,997)	(636,635)	(1,741,816)	(866,620)	549,176
7. Claims adjustment expenses (Line 20)	1,159,954	591,262			
8. Total administrative expenses (Line 21)	2,239,962	980,865			
9. Net underwriting gain (loss) (Line 24)	405,715	(935,463)	6,564,546	4,898,289	8,958,695
10. Net investment gain (loss) (Line 27)	2,242,198	2,341,783	2,309,007	2,385,671	3,614,841
11. Total other income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)	2,755,259	1,125,698	9,122,977	5,074,067	3,214,571
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	1,961,891	(2,500,850)	(309,097)	5,436,977	(21,039,341)
RISK-BASED CAPITAL ANALYSIS					
14. Total adjusted capital	39,149,233	33,552,547	35,344,903	26,260,630	21,186,563
15. Authorized control level risk-based capital	99,977	66,454	63,373	104,509	762,662
ENROLLMENT (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)					
17. Total members months (Column 6, Line 7)					
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)					
20. Cost containment expenses					X X X
21. Other claims adjustment expenses					281.0
22. Total underwriting deductions (Line 23)					458.0
23. Total underwriting gain (loss) (Line 24)					
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Column 5)	(151,998)	(636,635)	(741,816)	554,890	3,665,953
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]			1,000,000	1,421,510	3,116,777
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 53, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 7)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31					



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

NAIC Group Code 1253		REPORT FOR: 1. CORPORATION: 2. LOCATION: BUSINESS IN THE STATE OF TENNESSEE DURING THE YEAR										NAIC Company Code 95749	
		1	Comprehensive (Hospital & Medical)		4	5	6	7 Federal Employees Health Benefit Plan	8	9	10		
			2	3									
		Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only		Title XVIII Medicare	Title XIX Medicaid	Other		
Total Members at end of:													
1.	Prior Year												
2.	First Quarter												
3.	Second Quarter												
4.	Third Quarter												
5.	Current Year												
6.	Current Year Member Months												
Total Member Ambulatory Encounters for Year:													
7.	Physician	843,689								843,689			
8.	Non-Physician	487,435								487,435			
9.	Total	1,331,124								1,331,124			
10.	Hospital Patient Days Incurred	35,614								35,614			
11.	Number of Inpatient Admissions	9,444								9,444			
12.	Health Premiums Written (b)												
13.	Life Premiums Direct												
14.	Property/Casualty Premiums Written												
15.	Health Premiums Earned												
16.	Property/Casualty Premiums Earned												
17.	Amount Paid for Provision of Health Care Services	(151,998)								(151,998)			
18.	Amount Incurred for Provision of Health Care Services	(151,998)								(151,998)			

(a) For health business: number of persons insured under PPO managed care products0 and number of persons insured under indemnity only products0.
(b) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$.....0



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION: 2. LOCATION:
NAIC Group Code 1253 BUSINESS IN THE STATE OF GRAND TOTAL DURING THE YEAR NAIC Company Code 95749

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year										
2. First Quarter										
3. Second Quarter										
4. Third Quarter										
5. Current Year										
6. Current Year Member Months										
Total Member Ambulatory Encounters for Year:										
7. Physician	843,689								843,689	
8. Non-Physician	487,435								487,435	
9. Total	1,331,124								1,331,124	
10. Hospital Patient Days Incurred	35,614								35,614	
11. Number of Inpatient Admissions	9,444								9,444	
12. Health Premiums Written (b)										
13. Life Premiums Direct										
14. Property/Casualty Premiums Written										
15. Health Premiums Earned										
16. Property/Casualty Premiums Earned										
17. Amount Paid for Provision of Health Care Services	(151,998)								(151,998)	
18. Amount Incurred for Provision of Health Care Services	(151,998)								(151,998)	

(a) For health business: number of persons insured under PPO managed care products0 and number of persons insured under indemnity only products0.
(b) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$.....0

30 Grand Total

SCHEDULE A - VERIFICATION BETWEEN YEARS
Real Estate

1.	Book/adjusted carrying value, December 31, prior year	
2.	Increase (decrease) by adjustment:	
2.1	Totals, Part 1, Column 11	
2.2	Totals, Part 3, Column 8	
3.	Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9))	
4.	Cost of additions and permanent improvements:	
4.1	Totals, Part 1, Column 14	
4.2	Totals, Part 3, Column 10	
5.	Total profit (loss) on sales, Part 3, Column 15	
6.	Increase (decrease) by foreign exchange adjustment	
6.1	Totals, Part 1, Column 12	
6.2	Totals, Part 3, Column 9	
7.	Amounts received on sales, Part 3, Column 12 and Part 1, Column 13	
8.	Book/adjusted carrying value at the end of current period	
9.	Total valuation allowance	
10.	Subtotal (Lines 8 plus 9)	
11.	Total nonadmitted amounts	
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	

SCHEDULE B - VERIFICATION BETWEEN YEARS
Mortgage Loans

1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year	
2.	Amount loaned during year:	
2.1	Actual cost at time of acquisitions	
2.2	Additional investment made after acquisitions	
3.	Accrual of discount and mortgage interest points and commitment fees	
4.	Increase (decrease) by adjustment	
5.	Total profit (loss) on sale	
6.	Amounts paid on account or in full during the year	
7.	Amortization of premium	
8.	Increase (decrease) by foreign exchange adjustment	
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	
10.	Total valuation allowance	
11.	Subtotal (Lines 9 plus 10)	
12.	Total nonadmitted amounts	
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	

SCHEDULE BA - VERIFICATION BETWEEN YEARS
Long-Term Invested Assets

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	
2.	Cost of acquisitions during year:	
2.1	Actual cost at time of acquisitions	
2.2	Additional investment made after acquisitions	
3.	Accrual of discount	
4.	Increase (decrease) by adjustment	
5.	Total profit (loss) on sale	
6.	Amounts paid on account or in full during the year	
7.	Amortization of premium	
8.	Increase (decrease) by foreign exchange adjustment	
9.	Book/adjusted carrying value of long-term invested assets at end of current period	
10.	Total valuation allowance	
11.	Subtotal (Lines 9 plus 10)	
12.	Total nonadmitted amounts	
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description			1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	14,736,555	14,909,212	14,756,284	14,550,000
	2.	Canada				
	3.	Other Countries				
	4.	Totals	14,736,555	14,909,212	14,756,284	14,550,000
States, Territories and Possessions (Direct and Guaranteed)	5.	United States				
	6.	Canada				
	7.	Other Countries				
	8.	Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States	25,255,793	25,505,774	25,389,797	24,755,000
	10.	Canada				
	11.	Other Countries				
	12.	Totals	25,255,793	25,505,774	25,389,797	24,755,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States				
	14.	Canada				
	15.	Other Countries				
	16.	Totals				
Public Utilities (unaffiliated)	17.	United States				
	18.	Canada				
	19.	Other Countries				
	20.	Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States	14,150,652	14,170,864	14,448,259	13,850,000
	22.	Canada				
	23.	Other Countries				
	24.	Totals	14,150,652	14,170,864	14,448,259	13,850,000
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	54,143,000	54,585,850	54,594,340	53,155,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States				
	28.	Canada				
	29.	Other Countries				
	30.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States				
	32.	Canada				
	33.	Other Countries				
	34.	Totals				
Industrial and Miscellaneous (unaffiliated)	35.	United States				
	36.	Canada				
	37.	Other Countries				
	38.	Totals				
Parent, Subsidiaries and Affiliates	39.	Totals				
	40.	Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States				
	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States				
	46.	Canada				
	47.	Other Countries				
	48.	Totals				
Industrial and Miscellaneous (unaffiliated)	49.	United States				
	50.	Canada				
	51.	Other Countries				
	52.	Totals				
Parent, Subsidiaries and Affiliates	53.	Totals				
	54.	Total Common Stocks				
	55.	Total Stocks				
	56.	Total Bonds and Stocks	54,143,000	54,585,850	54,594,340	

SCHEDULE D - Verification Between Years

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	51,260,404	7. Amortization of premium.....	326,935
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	24,306,582	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	30,639	8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....		8.3 Column 16, Part 2, Section 2.....	
4.2 Column 15 - 17, Part 2, Section 1....		8.4 Column 15, Part 4.....	
4.3 Column 15, Part 2, Section 2.....		9. Book/adjusted carrying value at end of current period.....	54,143,000
4.4 Column 11 - 13, Part 4.....		10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....	(71,466)	11. Subtotal (Lines 9 plus 10).....	54,143,000
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted assets.....	
Column 7, Part 4.....	21,056,223	13. Statement value of bonds and stocks, current period.....	54,143,000

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1.	U.S. Governments, Schedules D & DA (Group 1)											
1.1	Class 1	1,599,952	12,985,873	1,650,730			16,236,555	29.18	19,580,369	38.20	16,236,555	
1.2	Class 2											
1.3	Class 3											
1.4	Class 4											
1.5	Class 5											
1.6	Class 6											
1.7	TOTALS	1,599,952	12,985,873	1,650,730			16,236,555	29.18	19,580,369	38.20	16,236,555	
2.	All Other Governments, Schedules D & DA (Group 2)											
2.1	Class 1											
2.2	Class 2											
2.3	Class 3											
2.4	Class 4											
2.5	Class 5											
2.6	Class 6											
2.7	TOTALS											
3.	States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1	Class 1											
3.2	Class 2											
3.3	Class 3											
3.4	Class 4											
3.5	Class 5											
3.6	Class 6											
3.7	TOTALS											
4.	Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1	Class 1	1,508,392	14,398,454	3,937,217		2,000,000	21,844,063	39.26	13,703,930	26.73	21,844,063	
4.2	Class 2		953,574	1,456,187	1,001,969		3,411,730	6.13	911,682	1.78	3,411,730	
4.3	Class 3											
4.4	Class 4											
4.5	Class 5											
4.6	Class 6											
4.7	TOTALS	1,508,392	15,352,029	5,393,404	1,001,969	2,000,000	25,255,793	45.39	14,615,612	28.51	25,255,793	
5.	Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1	Class 1											
5.2	Class 2											
5.3	Class 3											
5.4	Class 4											
5.5	Class 5											
5.6	Class 6											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6.	Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1	Class 1											
6.2	Class 2											
6.3	Class 3											
6.4	Class 4											
6.5	Class 5											
6.6	Class 6											
6.7	TOTALS											
7.	Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1	Class 1	3,118,463	8,962,361	843,048			12,923,872	23.23	16,415,609	32.02	12,923,872	
7.2	Class 2			1,226,780			1,226,780	2.20	648,814	1.27	1,226,780	
7.3	Class 3											
7.4	Class 4											
7.5	Class 5											
7.6	Class 6											
7.7	TOTALS	3,118,463	8,962,361	2,069,828			14,150,652	25.43	17,064,423	33.29	14,150,652	
8.	Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1	Class 1											
8.2	Class 2											
8.3	Class 3											
8.4	Class 4											
8.5	Class 5											
8.6	Class 6											
8.7	TOTALS											
9.	Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1	Class 1											
9.2	Class 2											
9.3	Class 3											
9.4	Class 4											
9.5	Class 5											
9.6	Class 6											
9.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year												
10.1	Class 1	6,226,807	36,346,688	6,430,995		2,000,000	51,004,490	91.66	X X X	X X X	51,004,490	
10.2	Class 2		953,574	2,682,967	1,001,969		4,638,510	8.34	X X X	X X X	4,638,510	
10.3	Class 3								X X X	X X X		
10.4	Class 4								X X X	X X X		
10.5	Class 5						(c)		X X X	X X X		
10.6	Class 6						(c)		X X X	X X X		
10.7	TOTALS	6,226,807	37,300,263	9,113,962	1,001,969	2,000,000	(b) 55,643,000	100.00	X X X	X X X	55,643,000	
10.8	Line 10.7 as a % of Column 6	11.19	67.03	16.38	1.80	3.59	100.00	X X X	X X X	X X X	100.00	
11. Total Bonds Prior Year												
11.1	Class 1	8,137,431	25,727,132	13,426,857	2,408,489		X X X	X X X	49,699,909	96.96	49,699,909	
11.2	Class 2			1,560,496			X X X	X X X	1,560,496	3.04	1,560,496	
11.3	Class 3						X X X	X X X				
11.4	Class 4						X X X	X X X				
11.5	Class 5						X X X	X X X	(c)			
11.6	Class 6						X X X	X X X	(c)			
11.7	TOTALS	8,137,431	25,727,132	14,987,353	2,408,489		X X X	X X X	(b) 51,260,405	100.00	51,260,405	
11.8	Line 11.7 as a % of Col. 8	15.87	50.19	29.24	4.70		X X X	X X X	100.00	X X X	100.00	
12. Total Publicly Traded Bonds												
12.1	Class 1	6,226,807	36,346,688	6,430,995		2,000,000	51,004,490	91.66	49,699,909	96.96	51,004,490	X X X
12.2	Class 2		953,574	2,682,967	1,001,969		4,638,510	8.34	1,560,496	3.04	4,638,510	X X X
12.3	Class 3											X X X
12.4	Class 4											X X X
12.5	Class 5											X X X
12.6	Class 6											X X X
12.7	TOTALS	6,226,807	37,300,262	9,113,962	1,001,969	2,000,000	55,643,000	100.00	51,260,405	100.00	55,643,000	X X X
12.8	Line 12.7 as a % of Col. 6	11.19	67.03	16.38	1.80	3.59	100.00	X X X	X X X	X X X	100.00	X X X
12.9	Line 12.7 as a % of Line 10.7, Col. 6, Section 10	11.19	67.03	16.38	1.80	3.59	100.00	X X X	X X X	X X X	100.00	X X X
13. Total Privately Placed Bonds												
13.1	Class 1										X X X	
13.2	Class 2										X X X	
13.3	Class 3										X X X	
13.4	Class 4										X X X	
13.5	Class 5										X X X	
13.6	Class 6										X X X	
13.7	TOTALS										X X X	
13.8	Line 13.7 as a % of Col. 6							X X X	X X X	X X X	X X X	
13.9	Line 13.7 as a % of Line 10.7, Col. 6, Section 10							X X X	X X X	X X X	X X X	

(a) Includes \$.....0 freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
(b) Includes \$.....0 current year, \$.....0 prior year of bonds with Z designations and \$.....0 current year, \$.....0 prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z**" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
(c) Includes \$.....0 current year, \$.....0 prior year of bonds with 5* designations and \$.....0 current year, \$.....0 prior year of bonds with 6* designations. "5**" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6**" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1.	U.S. Governments, Schedules D & DA (Group 1)											
1.1	Issuer Obligations	1,599,952	12,985,873	1,650,730			16,236,555	29.18	19,580,369	38.20	16,236,555	
1.2	Single Class Mortgage-Backed/Asset-Backed Securities											
1.7	TOTALS	1,599,952	12,985,873	1,650,730			16,236,555	29.18	19,580,369	38.20	16,236,555	
2.	All Other Governments, Schedules D & DA (Group 2)											
2.1	Issuer Obligations											
2.2	Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
2.3	Defined											
2.4	Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
2.5	Defined											
2.6	Other											
2.7	TOTALS											
3.	States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3)											
3.1	Issuer Obligations											
3.2	Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
3.3	Defined											
3.4	Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
3.5	Defined											
3.6	Other											
3.7	TOTALS											
4.	Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1	Issuer Obligations	1,508,392	15,352,029	5,393,404	1,001,969	2,000,000	25,255,794	45.39	14,615,612	28.51	25,255,794	
4.2	Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
4.3	Defined											
4.4	Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
4.5	Defined											
4.6	Other											
4.7	TOTALS	1,508,392	15,352,029	5,393,404	1,001,969	2,000,000	25,255,794	45.39	14,615,612	28.51	25,255,794	
5.	Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, SCH. D & DA (Group 5)											
5.1	Issuer Obligations											
5.2	Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
5.3	Defined											
5.4	Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
5.5	Defined											
5.6	Other											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations											
6.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined											
6.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined											
6.6 Other											
6.7 TOTALS											
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations	3,118,463	8,962,361	2,069,828			14,150,652	25.43	17,064,423	33.29	14,150,652	
7.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined											
7.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined											
7.6 Other											
7.7 TOTALS	3,118,463	8,962,361	2,069,828			14,150,652	25.43	17,064,423	33.29	14,150,652	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations											
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations											
9.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined											
9.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined											
9.6 Other											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
10. Total Bonds Current Year											
10.1 Issuer Obligations	6,226,807	37,300,263	9,113,962	1,001,969	2,000,000	55,643,001	100.00	X X X	X X X	55,643,001	
10.2 Single Class Mortgage-Backed/Asset-Backed Securities								X X X	X X X		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined								X X X	X X X		
10.4 Other								X X X	X X X		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
10.5 Defined								X X X	X X X		
10.6 Other								X X X	X X X		
10.7 TOTALS	6,226,807	37,300,263	9,113,962	1,001,969	2,000,000	55,643,001	100.00	X X X	X X X	55,643,001	
10.8 Line 10.7 as a % of Column 6	11.19	67.03	16.38	1.80	3.59	100.00	X X X	X X X	X X X	100.00	
11. Total Bonds Prior Year											
11.1 Issuer Obligations	8,137,431	25,727,132	14,987,353	2,408,489		X X X	X X X	51,260,405	100.00	51,260,405	
11.2 Single Class Mortgage-Backed/Asset-Backed Securities						X X X	X X X				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined						X X X	X X X				
11.4 Other						X X X	X X X				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
11.5 Defined						X X X	X X X				
11.6 Other						X X X	X X X				
11.7 TOTALS	8,137,431	25,727,132	14,987,353	2,408,489		X X X	X X X	51,260,405	100.00	51,260,405	
11.8 Line 11.7 as a % of Column 8	15.87	50.19	29.24	4.70		X X X	X X X	100.00	X X X	100.00	
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	6,226,807	37,300,263	9,113,962	1,001,969	2,000,000	55,643,001	100.00	51,260,405	100.00	55,643,001	X X X
12.2 Single Class Mortgage-Backed/Asset-Backed Securities											X X X
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined											X X X
12.4 Other											X X X
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
12.5 Defined											X X X
12.6 Other											X X X
12.7 TOTALS	6,226,807	37,300,263	9,113,962	1,001,969	2,000,000	55,643,001	100.00	51,260,405	100.00	55,643,001	X X X
12.8 Line 12.7 as a % of Column 6	11.19	67.03	16.38	1.80	3.59	100.00	X X X	X X X	X X X	100.00	X X X
12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10	11.19	67.03	16.38	1.80	3.59	100.00	X X X	X X X	X X X	100.00	X X X
13. Total Privately Placed Bonds											
13.1 Issuer Obligations										X X X	
13.2 Single Class Mortgage-Backed/Asset-Backed Securities										X X X	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined										X X X	
13.4 Other										X X X	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
13.5 Defined										X X X	
13.6 Other										X X X	
13.7 TOTALS										X X X	
13.8 Line 13.7 as a % of Column 6								X X X	X X X	X X X	
13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10								X X X	X X X	X X X	

SCHEDULE DA - PART 2
Verification of SHORT-TERM INVESTMENTS Between Years

		1	2	3	4	5
		Total	Bonds	Mortgage Loans	Other Short-term Investment Assets (a)	Investments in Parent, Subsidiaries and Affiliates
1.	Book/adjusted carrying value, December 31 of prior year .....	.....	.....	.....	.....	.....
2.	Cost of short-term investments acquired	1,496,150	1,496,150	.....	.....	.....
3.	Increase (decrease) by adjustment	3,850	3,850	.....	.....	.....
4.	Increase (decrease) by foreign exchange adjustment .....	.....	.....	.....	.....	.....
5.	Total profit (loss) on disposal of short-term investments .....	.....	.....	.....	.....	.....
6.	Consideration received on disposal of short-term investments .....	.....	.....	.....	.....	.....
7.	Book/adjusted carrying value, current year	1,500,000	1,500,000	.....	.....	.....
8.	Total valuation allowance .....	.....	.....	.....	.....	.....
9.	Subtotal (Lines 7 plus 8)	1,500,000	1,500,000	.....	.....	.....
10.	Total nonadmitted amounts .....	.....	.....	.....	.....	.....
11.	Statement value (Lines 9 minus 10)	1,500,000	1,500,000	.....	.....	.....
12.	Income collected during year .....	.....	.....	.....	.....	.....
13.	Income earned during year .....	.....	.....	.....	.....	.....

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment:

40	Schedule DB Part A Verification	NONE
40	Schedule DB Part B Verification	NONE
41	Schedule DB Part C Verification	NONE
41	Schedule DB Part D Verification	NONE
41	Schedule DB Part E Verification	NONE
42	Schedule DB Part F Sn 1 - Sum Replicated Assets	NONE
43	Schedule DB Part F Sn 2 - Recon Replicated Assets	NONE
44	Schedule S - Part 1 - Section 2	NONE
45	Schedule S - Part 2	NONE
46	Schedule S - Part 3 - Section 2	NONE
47	Schedule S - Part 4	NONE
48	Schedule S - Part 5	NONE
49	Schedule S - Part 6	NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
ALLOCATED BY STATES AND TERRITORIES

		1 Is Insurer Licensed (Yes or No)	Direct Business Only						
			2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit - Type Contracts
State, Etc.									
1.	Alabama (AL)	No							
2.	Alaska (AK)	No							
3.	Arizona (AZ)	No							
4.	Arkansas (AR)	No							
5.	California (CA)	No							
6.	Colorado (CO)	No							
7.	Connecticut (CT)	No							
8.	Delaware (DE)	No							
9.	District of Columbia (DC)	No							
10.	Florida (FL)	No							
11.	Georgia (GA)	No							
12.	Hawaii (HI)	No							
13.	Idaho (ID)	No							
14.	Illinois (IL)	No							
15.	Indiana (IN)	No							
16.	Iowa (IA)	No							
17.	Kansas (KS)	No							
18.	Kentucky (KY)	No							
19.	Louisiana (LA)	No							
20.	Maine (ME)	No							
21.	Maryland (MD)	No							
22.	Massachusetts (MA)	No							
23.	Michigan (MI)	No							
24.	Minnesota (MN)	No							
25.	Mississippi (MS)	No							
26.	Missouri (MO)	No							
27.	Montana (MT)	No							
28.	Nebraska (NE)	No							
29.	Nevada (NV)	No							
30.	New Hampshire (NH)	No							
31.	New Jersey (NJ)	No							
32.	New Mexico (NM)	No							
33.	New York (NY)	No							
34.	North Carolina (NC)	No							
35.	North Dakota (ND)	No							
36.	Ohio (OH)	No							
37.	Oklahoma (OK)	No							
38.	Oregon (OR)	No							
39.	Pennsylvania (PA)	No							
40.	Rhode Island (RI)	No							
41.	South Carolina (SC)	No							
42.	South Dakota (SD)	No							
43.	Tennessee (TN)	Yes							
44.	Texas (TX)	No							
45.	Utah (UT)	No							
46.	Vermont (VT)	No							
47.	Virginia (VA)	No							
48.	Washington (WA)	No							
49.	West Virginia (WV)	No							
50.	Wisconsin (WI)	No							
51.	Wyoming (WY)	No							
52.	American Samoa (AS)	No							
53.	Guam (GU)	No							
54.	Puerto Rico (PR)	No							
55.	U.S. Virgin Islands (VI)	No							
56.	Northern Marianas Islands (MP)	No							
57.	Canada (CN)	No							
58.	Aggregate other alien (OT)	X X X							
59.	Subtotal	X X X							
60.	Reporting entity contributions for Employee Benefit Plans	X X X							
61.	TOTAL (Direct Business)	(a) ... 1							
DETAILS OF WRITE-INS									
5801.	.....	X X X							
5802.	.....	X X X							
5803.	.....	X X X							
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X							
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X							

(a) Insert the number of yes responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE T - PART 2
INTERSTATE COMPACT - EXHIBIT OF PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES

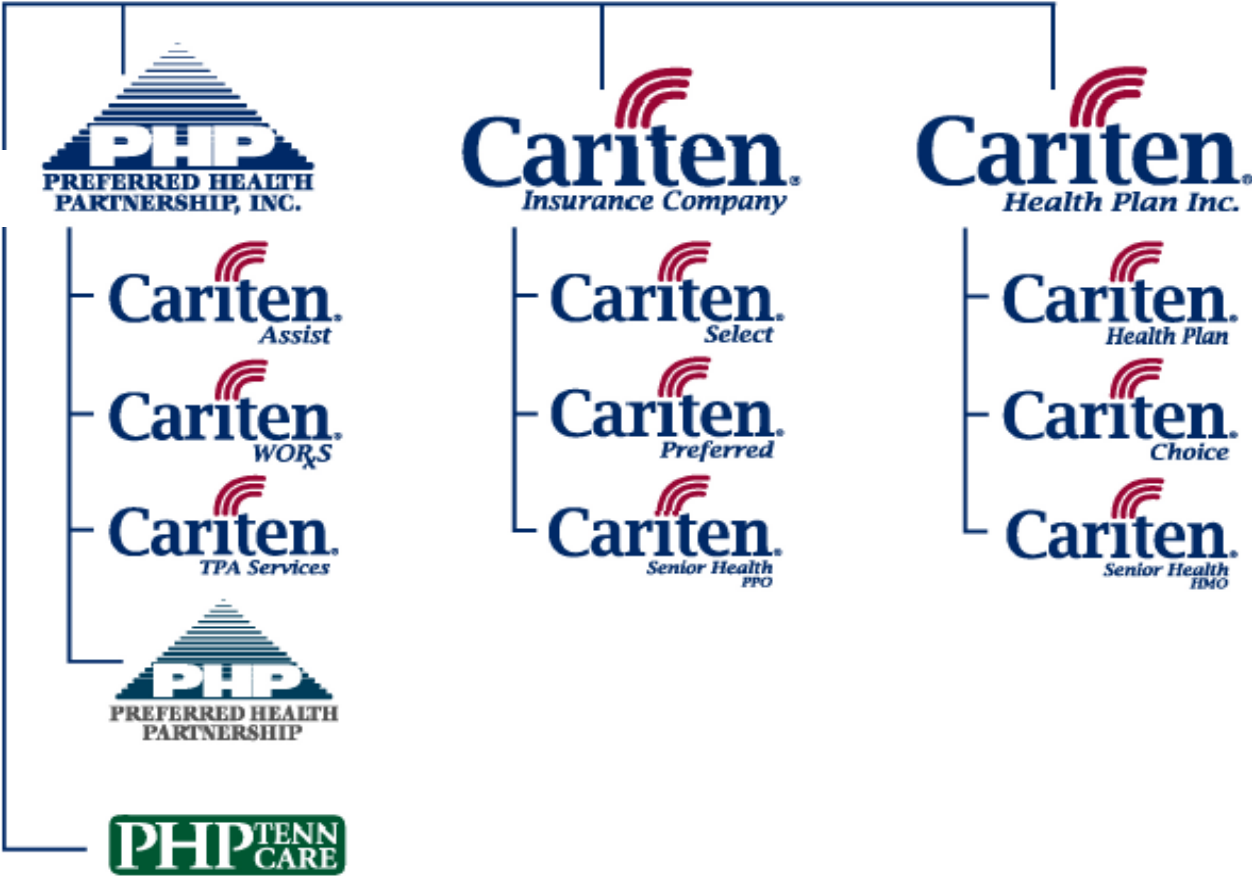
Direct Business only						
States, Etc.	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	6 Totals
1. Alabama (AL)						
2. Alaska (AK)						
3. Arizona (AZ)						
4. Arkansas (AR)						
5. California (CA)						
6. Colorado (CO)						
7. Connecticut (CT)						
8. Delaware (DE)						
9. District of Columbia (DC)						
10. Florida (FL)						
11. Georgia (GA)						
12. Hawaii (HI)						
13. Idaho (ID)						
14. Illinois (IL)						
15. Indiana (IN)						
16. Iowa (IA)						
17. Kansas (KS)						
18. Kentucky (KY)						
19. Louisiana (LA)						
20. Maine (ME)						
21. Maryland (MD)						
22. Massachusetts (MA)						
23. Michigan (MI)						
24. Minnesota (MN)						
25. Mississippi (MS)						
26. Missouri (MO)						
27. Montana (MT)						
28. Nebraska (NE)						
29. Nevada (NV)						
30. New Hampshire (NH)						
31. New Jersey (NJ)						
32. New Mexico (NM)						
33. New York (NY)						
34. North Carolina (NC)						
35. North Dakota (ND)						
36. Ohio (OH)						
37. Oklahoma (OK)						
38. Oregon (OR)						
39. Pennsylvania (PA)						
40. Rhode Island (RI)						
41. South Carolina (SC)						
42. South Dakota (SD)						
43. Tennessee (TN)						
44. Texas (TX)						
45. Utah (UT)						
46. Vermont (VT)						
47. Virginia (VA)						
48. Washington (WA)						
49. West Virginia (WV)						
50. Wisconsin (WI)						
51. Wyoming (WY)						
52. American Samoa (AS)						
53. Guam (GU)						
54. Puerto Rico (PR)						
55. U.S. Virgin Islands (VI)						
56. Northern Mariana Islands (MP)						
57. Canada (CN)						
58. Aggregate other alien (OT)						
59. TOTALS						

NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



52



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

SCHEDULE Y (Continued)
PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/(Disburse- ments) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability)
.. 95749 0000 ..	.. 62-1546662 62-1552091 ..	PREFERRED HEALTH PARTNERSHIP TN INC PHP Companies, Inc .....	.....	.....	.....	.....	.. 17,579,926 .. (17,579,926)	.....	.....	.....	.. 17,579,926 .. (17,579,926)	.....
9999999 Totals .....			.....	.....	.....	.....	.....	.....	X X X	.....	.....	.....

Schedule Y Part 2 Explanation:

SUPPLEMENTAL EXHIBITS AND SCHEDULES
INTERROGATORIES

Response

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of WAIVED to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?

Yes
2. Will an actuarial opinion be filed by March 1?

Yes
3. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1?

Yes
4. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required by March 1?

Yes

APRIL FILING

5. Will Management's Discussion and Analysis be filed by April 1?

Yes
6. Will the Supplemental Investment Risks Interrogatories be filed by April 1?

Yes
7. Will the Accident and Health Policy Experience Exhibit be filed by April 1?

Yes

JUNE FILING

8. Will an audited financial report be filed by June 1?

Yes

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but it is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

9. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?

No
10. Will the Supplemental Life data due March 1 be filed with the state of domicile and the NAIC?

No
11. Will the Supplemental Property/Casualty data due March 1 be filed with the state of domicile and the NAIC?

No
12. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?

No
13. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1?

No

APRIL FILING

14. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?

No
15. Will the Supplemental Life data due April 1 be filed with the state of domicile and the NAIC?

No
16. Will the Supplemental Property/Casualty Insurance Expense Exhibit due April 1 be filed with any state that requires it, and, if so, the NAIC?

No

Explanations:

Bar Codes:

Medicare Supplement Insurance Experience Exhibit



Health Life Supplement



Health Property / Casualty Supplement



Schedule SIS



Medicare Part D Coverage Supplement



LTC Experience Reporting Form C



Health Life Supplement - LHA Guaranty Association Reconciliation



Health Property / Casualty Supplement



LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
2104.	Reserve for At Risk Revenue	1,643,136		1,643,136	978,108
2105.	Unclaimed Property	121,141		121,141	122,858
2197.	Summary of remaining write-ins for Line 21 (Lines 2104 through 2196)	1,764,277		1,764,277	1,100,966

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
		1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
2504.	Wellness Program			4,019		4,019
2505.	Books & Subscriptions	63,838	4,143	30,850		98,831
2506.	Leses & Rentals		2,745	46,337		49,082
2507.	Repairs			23,983		23,983
2508.	Temp/Contract Personnel	45,415	189,515	352,342		587,272
2509.	Miscellaneous Expense	182,448	83,566	(1,800,116)		(1,534,101)
2510.	Covenant MIS Direct Fee			2,313,414		2,313,414
2511.	Utilities			51,798		51,798
2512.	Maintenance			503,539		503,539
2597.	Summary of overflow write-ins for Line 25	291,701	279,969	1,526,165		2,097,835

E01 Schedule A - Part 1 Real Estate Owned NONE

E02 Schedule A - Part 2 Real Estate Acquired NONE

E03 Schedule A - Part 3 Real Estate Sold NONE

E04 Schedule B - Part 1 Mortgage Loans Owned NONE

E05 Schedule B - Part 2 Mortgage Loans Sold NONE

E06 Schedule BA - Part 1 Invested Assets Owned NONE

E07 Schedule BA - Part 2 Invested Assets Sold NONE

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest					Dates		
		3	4 F O R E I G N	5 B O N D C H A R			8 Rate Used to Obtain Fair Value	9 Fair Value			12 Unrealized Valuation Increase/ (Decrease)	13 Current Year's (Amortization) Accretion	14 Current Year's Other Than Temporary Impairment Recognized	15 Total Foreign Exchange Change in B./A.C.V.	16 Rate of	17 Effective Rate of Interest	18 How Paid	19 Admitted Amount Due and Accrued	20 Gross Amount Received During Year	21 Acquired	22 Maturity	
CUSIP Identifi- cation	Description	*			NAIC Desig- nation	Actual Cost			Par Value	Book/ Adjusted Carrying Value												
U.S. Governments - Issuer Obligations																						
3133X8EL2	FHLB				1FE	2,582,801	100.2570	2,606,677	2,600,000	2,584,439	1,638				3,750	3,740	FA	14,083	(1,638)	11/07/2007	08/18/2009	
31359MNU3	FNMA				1	1,516,466	103.9490	1,559,234	1,500,000	1,507,740	(1,689)				5,250	5,051	AF	32,594	80,439	11/21/2002	08/01/2012	
31359MOV8	FNMA PREASSIGN				1FE	1,053,339	103.5310	1,087,076	1,050,000	1,051,743	(340)				4,750	4,588	AF	17,872	50,215	04/10/2003	02/21/2013	
31359MWJ8	FNMA PREASSIGN				1FE	598,488	102.6440	615,861	600,000	598,987	150				4,625	4,506	OA	5,781	27,600	09/15/2004	10/15/2014	
912828AN0	US TREAS NT				1	101,226	100.0000	100,000	100,000	99,952	(288)				3,000	3,000	NM	500	3,288	07/31/2003	11/15/2007	
912828AZ3	US TREAS NT				1	200,000	99.7420	199,484	200,000	200,000					2,625	2,625	MN	875	5,250	04/19/2004	05/15/2008	
912828CE8	US TREAS NT				1	2,210,963	100.0470	2,251,058	2,250,000	2,238,940	7,808				3,125	3,125	AO	17,578	62,505	06/08/2004	04/15/2009	
3134A4TE4	FHLMC				1FE	3,037,968	99.6270	2,988,810	3,000,000	3,001,309	(7,855)				2,750	2,760	MS	24,063	90,355	05/29/2003	03/15/2008	
912828AP5	US TREAS NT				1	1,227,734	102.6950	1,283,688	1,250,000	1,230,433	2,699				4,000	4,000	NM	7,781	47,301	05/11/2007	11/15/2012	
880591DT6	TVA				1FE	2,227,300	110.8660	2,217,326	2,000,000	2,223,011	(4,289)				6,790	6,124	MN	3,395	4,289	12/20/2007	05/23/2012	
0199999 Subtotal - U.S. Governments - Issuer Obligations						14,756,284		X X X	14,909,212	14,550,000	14,736,555	(2,167)			X X X	X X X	X X X	124,522	369,604	X X X	X X X	
0399999 Subtotal - U.S. Governments						14,756,284		X X X	14,909,212	14,550,000	14,736,555	(2,167)			X X X	X X X	X X X	124,522	369,604	X X X	X X X	
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations																						
34074GAA2	FLORIDA HURRICANE CAT FUND				1FE	1,534,965	100.9750	1,514,625	1,500,000	1,508,392	(16,783)				5,000	4,952	JJ	37,292	90,742	06/15/2006	07/01/2008	
880557N82	TENN ST SCH BD AUTH				1FE	1,203,780	101.2680	1,215,216	1,200,000	1,201,720	(1,296)				4,000	3,950	MN	7,867	49,296	06/22/2006	05/01/2009	
13033K6V6	CALIFORNIA HSG FIN				1FE	1,000,000	100.6270	1,006,270	1,000,000	1,000,000					3,875	3,851	FA	16,038	32,615	09/15/2006	08/01/2009	
49118NBZ7	KENTUCKY ASSET /LIABILITY FD				1FE	999,990	101.4960	1,014,960	1,000,000	999,991	1				3,700	3,645	MS	12,333	(1)	08/30/2007	09/01/2010	
92812UMM7	VIRGINIA HSG DEV AUTH				1FE	1,390,200	101.6640	1,423,296	1,400,000	1,393,532	2,352				4,000	3,935	OA	13,844	53,648	08/02/2006	10/01/2010	
88045RDY5	TENNESSEE HSG AUTH				1FE	1,120,000	100.7880	1,128,826	1,120,000	1,120,000					4,000	3,969	JJ	7,467		10/15/2007	01/01/2011	
880557G98	TN ST SCH BD AUTH				1FE	975,000	99.4420	969,560	975,000	975,000					4,190	4,214	MN	6,695	40,853	06/08/2005	05/01/2011	
88045RDZ2	TENNESSEE HSG AUTH				1FE	1,215,000	100.8460	1,225,279	1,215,000	1,215,000					4,000	3,966	JJ	8,100		10/15/2007	07/01/2011	
678841HS9	OKLAHOMA CITY SCH DIST				1FE	1,881,015	106.0170	1,887,103	1,780,000	1,849,551	(19,872)				5,000	4,716	JJ	44,253	111,097	06/05/2006	07/01/2011	
83755G3B1	SOUTH DAKOTA HSG DEV				1FE	1,400,000	100.4030	1,405,642	1,400,000	1,400,000					4,000	3,984	MN	9,178	24,578	04/19/2007	05/01/2012	
499523UE6	KNOX CNTY EDLE E TN HOSP -B				2FE	910,800	100.2420	922,226	920,000	913,195	1,512				4,500	4,489	JJ	20,700	39,428	06/28/2006	07/01/2012	
499523UE6	KNOX CNTY EDLE E TN HOSP -B				2FE	40,450	100.2420	40,097	40,000	40,380	(70)				4,500	4,489	JJ	895	535	03/23/2007	07/01/2012	
478271DS5	JOHNSON CITY TN HLTH & EDL				1FE	849,749	111.3380	862,870	775,000	836,158	(13,591)				6,000	5,389	JJ	23,121	32,837	01/30/2007	07/01/2012	
546596FM4	LOUISVILLE & JEFFERSON CNTY	1			1FE	1,403,623	107.7570	1,400,841	1,300,000	1,386,087	(17,536)				5,750	5,336	JJ	37,167	45,983	02/07/2007	07/01/2012	
452151OK2	ILLINOIS ST				1FE	1,153,482	107.6510	1,184,161	1,100,000	1,148,755	(4,719)				5,000	4,645	MS	18,181	9,913	07/17/2007	03/01/2013	
49952MBK1	KNOX CNTY HEALTH EDL				2FE	1,140,458	103.0150	1,133,165	1,100,000	1,135,401	(5,057)				5,000	4,854	AO	13,597	28,585	04/12/2007	04/01/2013	
454623M48	INDIANA BD BK	1			1FE	1,288,260	107.1150	1,285,380	1,200,000	1,276,492	(10,087)				5,000	4,668	AF	24,833	53,087	11/08/2006	08/01/2015	
162410CC6	CHATT TENN HEALTH EDL				2FE	321,844	100.6310	316,988	315,000	320,786	(747)				5,000	4,969	OA	3,894	17,997	08/18/2006	10/01/2015	
116083EP7	BROWNSBURG IND	1			1FE	1,526,092	109.0630	1,543,241	1,415,000	1,511,970	(11,297)				5,000	4,585	AF	29,283	64,360	10/26/2006	08/01/2016	
546071AA9	LOUIS VA INDL DEV AUTH				2FE	1,002,050	100.4310	1,004,310	1,000,000	1,001,969	(81)				4,250	4,232	AO	10,389	13,894	05/31/2007	04/01/2022	
837031PC1	SOUTH CAROLINA JOBS VAR RT	1			1FE	1,000,000	100.0000	1,000,000	1,000,000	1,000,000					3,510	3,480	AO	2,633	33,227	01/03/2007	06/01/2028	
5920653K0	METRO GOVT NASHVILLE VAR	1			1FE	1,000,000	100.0000	1,000,000	1,000,000	1,000,000					3,510	3,480	DJ	2,633	33,227	01/03/2007	12/01/2031	
182521BE3	CLARKSVILLE TN NAT GAS				1FE	1,033,040	102.1720	1,021,720	1,000,000	1,021,415	(7,342)				5,000	4,894	DJ	2,083	57,342	06/23/2006	12/15/2010	
1899999 Subtotal - Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations						25,389,797		X X X	25,505,774	24,755,000	25,255,793	(104,613)			X X X	X X X	X X X	352,475	833,240	X X X	X X X	
Obligations						25,389,797		X X X	25,505,774	24,755,000	25,255,793	(104,613)			X X X	X X X	X X X	352,475	833,240	X X X	X X X	
2499999 Subtotal - Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)						25,389,797		X X X	25,505,774	24,755,000	25,255,793	(104,613)			X X X	X X X	X X X	352,475	833,240	X X X	X X X	
Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations																						
247025AD1	DELL COMPUTER CORP				1FE	1,557,037	100.4210	1,556,526	1,550,000	1,555,278	(1,759)				6,550	6,523	AO	4,794	1,759	12/10/2007	04/15/2008	
867914AQ6	SUNTRUST BKS INC				1FE	813,465	100.2660	751,992	750,000	756,899	(16,556)				6,250	6,233	JD	3,776	63,431	08/04/2004	06/01/2008	
33738MAC5	1ST UN NATL BK CHARLOTTE				1FE	820,576	101.0270	808,216	800,000	806,287	(6,859)				5,800	5,741	DJ	3,738	53,259	12/09/2005	12/01/2008	
172967CH2	CITIGROUP INC				1FE	768,992	98.6600	789,276	800,000	789,392	9,792				3,625	3,674	FA	11,358	19,208	12/12/2005	02/09/2009	
40429CCX8	PVTP L HSBC FIN CORP				1FE	750,900	99.9660	749,747	750,000	750,531	(177)				5,250	5,252	JJ	18,156	39,552	12/21/2005	01/14/2011	
38141GAZ7	GOLDMAN SACHS GROUP INC				1	1,139,340	106.0600	1,060,604	1,000,000	1,053,938	(17,979)				6,875	6,482	JJ	31,511	86,729	04/03/2003	01/15/2011	
758940AF7	REGIONS FINANCIAL CORP NT				1FE	2,513,850	105.5700	2,639,243	2,500,000	2,504,423	(1,397)				7,000	6,631	MS					

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest					Dates	
		3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
CUSIP Identi- fication	Description	* N	F O R E I G N	Bond CHAR	NAIC Desig- nation	Actual Cost	Rate Used to Obtain Fair Value	Fair Value	Par Value	Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization) Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A. C.V.	Rate of	Effective Rate of Interest	How Paid	Admitted Amount Due and Accrued	Gross Amount Received During Year	Acquired	Maturity
6099999	Grand Total - Bonds					54,594,340	X X X	54,585,850	53,155,000	54,143,000		(191,040)			X X X	X X X	X X X	702,334	2,018,605	X X X	X X X

E09 Schedule D - Part 2 Sn 1 Prfrd Stocks Owned NONE

E10 Schedule D - Part 2 Sn 2 Common Stocks Owned NONE

SCHEDULE D - PART 3
Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends
Bonds - U.S. Governments								
3133X8EL2	FHLB		11/07/2007	NORTHERN TRUST	X X X	2,582,801	2,600,000.00	21,667
880591DT6	TVA		12/20/2007	NORTHERN TRUST	X X X	2,227,300	2,000,000.00	10,562
912828AP5	US TREAS NTS		05/11/2007	NORTHERN TRUST	X X X	1,227,734	1,250,000.00	24,448
0399999	Subtotal - Bonds - U.S. Governments					6,037,835	5,850,000.00	56,676
Bonds - Political Subdivisions of States (Direct and Guaranteed)								
837031PC1	SOUTH CAROLINA JOBS VAR RT		01/03/2007	NORTHERN TRUST	X X X	1,000,000	1,000,000.00	321
5920653K0	METRO GOVT NASHVILLE VAR		01/03/2007	NORTHERN TRUST	X X X	1,000,000	1,000,000.00	481
478271DS5	JOHNSON CY TN HLTH & EDL		01/30/2007	NORTHERN TRUST	X X X	849,749	775,000.00	4,004
546596FM4	LOUISVILLE & JEFFERSON CNTY		02/07/2007	NORTHERN TRUST	X X X	1,403,623	1,300,000.00	8,928
499523UE6	KNOX CNTY EDL E TN HOSP-B		03/23/2007	NORTHERN TRUST	X X X	40,450	40,000.00	435
49952MBK1	KNOX CNTY HEALTH EDL		04/12/2007	NORTHERN TRUST	X X X	1,140,458	1,100,000.00	
83755G3B1	SOUTH DAKOTA HSG DEV		04/19/2007	NORTHERN TRUST	X X X	1,400,000	1,400,000.00	
546071AA9	LOUISA VA INDL DEV AUTH		05/31/2007	NORTHERN TRUST	X X X	1,002,050	1,000,000.00	7,438
495170RU8	ILLINOIS ST		07/17/2007	NORTHERN TRUST	X X X	1,153,482	1,100,000.00	22,306
49118NBZ7	KENTUCKY ASSET /LIABILITY FD		08/30/2007	NORTHERN TRUST	X X X	999,990	1,000,000.00	
88045RDY5	TENNESSEE HSG DEV		10/15/2007	NORTHERN TRUST	X X X	1,120,000	1,120,000.00	
88045RDZ2	TENNESSEE HSG DEV		10/15/2007	NORTHERN TRUST	X X X	1,215,000	1,215,000.00	
2499999	Subtotal - Bonds - Political Subdivisions of States (Direct and Guaranteed)					12,324,802	12,050,000.00	43,912
Bonds - Industrial and Miscellaneous (Unaffiliated)								
247025AD1	DELL COMPUTER CORP		12/10/2007	NORTHERN TRUST	X X X	1,557,037	1,550,000.00	16,357
4599999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					1,557,037	1,550,000.00	16,357
6099997	Subtotal - Bonds - Part 3					19,919,674	19,450,000.00	116,945
6099998	Summary item from Part 5 for Bonds					4,386,907	4,260,000.00	12,212
6099999	Subtotal - Bonds					24,306,582	23,710,000.00	129,157
6599998	Summary Item from Part 5 for Preferred Stocks						X X X	
7299998	Summary Item from Part 5 for Common Stocks						X X X	
7399999	Subtotal - Preferred and Common Stocks						X X X	
7499999	Totals					24,306,582	X X X	129,157

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks SOLD, REDEEMED, or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21
										11	12	13	14	15						
CUSIP Identification	Description	g	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year (Amortization) Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (Cols. 11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date
Bonds - U.S. Governments																				
912828AZ3	US TREAS NT	...	04/12/2007	NORTHERN TRUST	... X X X ...	... 975,586	1,000,000.00	... 982,969	... 993,663	...	... 1,188	...	... 1,188	...	... 994,851	...	... (19,265)	... (19,265)	... 8,656	05/15/2008
31359MMF7	FNMA PREASSIGN	...	11/01/2007	NORTHERN TRUST	... X X X ...	... 2,500,000	2,500,000.00	... 2,641,016	... 2,001,701	...	... (12,937)	...	... (12,937)	...	... 2,565,980	...	... (65,980)	... (65,980)	... 37,547	02/28/2012
3128X2TM7	FHLMC TRANCHE	...	12/20/2007	NORTHERN TRUST	... X X X ...	... 2,345,443	2,250,000.00	... 2,227,573	... 2,231,041	...	... 2,483	...	... 2,483	...	... 2,233,524	...	... 111,919	... 111,919	... 41,580	01/30/2014
3133X7C51	FHLB TRANCHE	...	05/15/2007	MATURED	... X X X ...	... 2,000,000	2,000,000.00	... 2,012,758	... 2,001,701	...	... (1,701)	...	... (1,701)	...	... 2,000,000	...	...	...	... 36,701	05/15/2007
31359MGH0	FNMA	...	10/15/2007	MATURED	... X X X ...	... 3,000,000	3,000,000.00	... 3,313,125	... 3,074,161	...	... (74,161)	...	... (74,161)	...	... 3,000,000	...	...	...	... 17,356	10/15/2007
0399999 Subtotal - Bonds - U.S. Governments						... 10,821,029	10,750,000.00	... 11,177,440	... 10,302,267	...	... (85,128)	...	... (85,128)	...	... 10,794,355	...	... 26,674	... 26,674	... 141,839	... X X X
Bonds - Political Subdivisions of States (Direct and Guaranteed)																				
402231AX2	GULF COAST WASTE DISP	...	01/31/2007	NORTHERN TRUST	... X X X ...	... 1,000,000	1,000,000.00	... 1,000,000	... 1,000,000	...	...	...	...	...	... 1,000,000	...	...	...	... 5,125	04/01/2024
402231AX2	GULF COAST WASTE DISP	...	02/07/2007	NORTHERN TRUST	... X X X ...	... 550,000	550,000.00	... 550,000	... 550,000	...	...	...	...	...	... 550,000	...	...	...	... 5,366	04/01/2024
162410CC6	CHATT TENN HEALTH EDL	...	10/01/2007	NORTHERN TRUST	... X X X ...	... 30,000	30,000.00	... 30,000	... 30,000	...	...	...	...	...	... 30,000	...	...	...	...	10/01/2015
2499999 Subtotal - Bonds - Political Subdivisions of States (Direct and Guaranteed)						... 1,580,000	1,580,000.00	... 1,580,000	... 1,580,000	...	...	...	...	...	... 1,580,000	...	...	...	... 10,492	... X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)																				
073902BZ0	BEAR STEARNS COS INC	...	01/15/2007	MATURED	... X X X ...	... 500,000	500,000.00	... 492,335	... 500,000	...	...	...	...	...	... 500,000	...	...	...	... 14,250	01/15/2007
02003EAD4	PVTP L ALLSTATE LIFE GLOBAL	...	04/15/2007	MATURED	... X X X ...	... 750,000	750,000.00	... 749,738	... 749,980	...	...	...	...	...	... 750,000	...	...	...	... 10,784	04/15/2007
46625HAP5	JPMORGAN CHASE & CO	...	05/30/2007	MATURED	... X X X ...	... 1,000,000	1,000,000.00	... 1,066,580	... 1,006,496	...	... (6,496)	...	... (6,496)	...	... 1,000,000	...	...	...	... 32,746	05/30/2007
49306BNC3	KEY BK	...	07/17/2007	MATURED	... X X X ...	... 700,000	700,000.00	... 729,162	... 704,852	...	... (4,860)	...	... (4,860)	...	... 700,000	...	...	...	... 22,360	07/17/2007
22237LHE5	COUNTRYWIDE HOME LNS	...	08/02/2007	NORTHERN TRUST	... X X X ...	... 743,955	750,000.00	... 773,070	... 765,572	...	... (4,037)	...	... (4,037)	...	... 761,535	...	... (17,580)	... (17,580)	... 18,621	04/15/2009
93933WAC0	WA MUT BK	...	12/20/2007	NORTHERN TRUST	... X X X ...	... 538,662	650,000.00	... 648,505	... 648,814	...	... 136	...	... 136	...	... 648,950	...	... (110,288)	... (110,288)	... 14,762	01/15/2015
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)						... 4,232,617	4,350,000.00	... 4,459,390	... 4,375,714	...	... (15,237)	...	... (15,237)	...	... 4,360,485	...	... (127,868)	... (127,868)	... 113,523	... X X X
6099997 Subtotal - Bonds - Part 4						... 16,633,645	16,680,000.00	... 17,216,829	... 16,257,981	...	... (100,365)	...	... (100,365)	...	... 16,734,840	...	... (101,194)	... (101,194)	... 265,854	... X X X
6099998 Summary Item from Part 5 for Bonds						... 4,422,578	4,260,000.00	... 4,386,907	...	...	... (4,891)	...	... (4,891)	...	... 4,382,017	...	... 29,728	... 29,728	... 33,303	... X X X
6099999 Subtotal - Bonds						... 21,056,223	20,940,000.00	... 21,603,737	... 16,257,981	...	... (105,256)	...	... (105,256)	...	... 21,116,856	...	... (71,466)	... (71,466)	... 299,157	... X X X
6599998 Summary Item from Part 5 for Preferred Stocks						... X X X	...	...	...	...	...	...	...	...	...	...	...	...	...	... X X X
7299998 Summary Item from Part 5 for Common Stocks						... X X X	...	...	...	...	...	...	...	...	...	...	...	...	...	... X X X
7399999 Subtotal - Preferred and Common Stocks						... X X X	...	...	...	...	...	...	...	...	...	...	...	...	...	... X X X
7499999 Totals						... 21,056,223	X X X	... 21,603,737	... 16,257,981	...	... (105,256)	...	... (105,256)	...	... 21,116,856	...	... (71,466)	... (71,466)	... 299,157	... X X X

SCHEDULE D - PART 5

Showing All Long-Term Bonds and Stocks ACQUIRED During Year and Fully DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	Change in Book/Adjusted Carrying Value					17	18	19	20	21
											12	13	14	15	16					
CUSIP Identifi- cation	Description	F O R E I G N	Date Acquired	Name of Vendor	Disposal Date	Name of Purchaser	Par Value (Bonds) Number of Shares (Stock)	Actual Cost	Consider- ation	Book/ Adjusted Carrying Value at Disposal Date	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization) Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (Col. 12+ 13-14)	Total Foreign Exchange Change in B./A.C.V.	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest and Dividends Received During Year	Paid for Accrued Interest and Dividends
Bonds - Political Subdivisions of States (Direct and Guaranteed)																				
495170RU8 ...	KING CNTY WASH SCH DIST ...	...	07/17/2007	NORTHERN TRUST	12/03/2007	NORTHERN TRUST	1,260,000.000	1,327,939	1,364,089	1,323,528		(4,412)		(4,412)			40,561	40,561	23,800	8,575
657902V33 ...	NORTH CAROLINA MED CARE ...	...	01/24/2007	NORTHERN TRUST	02/07/2007	NORTHERN TRUST	500,000.000	500,000	500,000	500,000									1,500	1,055
5920653K0 ...	METRO GOVT NASH VAR ...	...	01/03/2007	NORTHERN TRUST	05/09/2007	NORTHERN TRUST	500,000.000	500,000	500,000	500,000									2,242	
657902V33 ...	NORTH CAROLINA MED CARE ...	...	01/24/2007	NORTHERN TRUST	07/17/2007	NORTHERN TRUST	1,200,000.000	1,200,000	1,200,000	1,200,000									5,761	2,582
2499999 Subtotal - Bonds - Political Subdivisions of States (Direct and Guaranteed)							3,460,000.000	3,527,939	3,564,089	3,523,528		(4,412)		(4,412)			40,561	40,561	33,303	12,212
Bonds - Industrial and Miscellaneous (Unaffiliated)																				
060505CU6 ...	PVTPL BK AMER CORP ...	...	01/31/2007	NORTHERN TRUST	01/31/2007	NORTHERN TRUST	800,000.000	858,968	858,489	858,489		(479)		(479)			(10,833)	(10,833)		
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)							800,000.000	858,968	858,489	858,489		(479)		(479)			(10,833)	(10,833)		
6099998 Subtotal - Bonds							4,260,000.000	4,386,907	4,422,578	4,382,017		(4,891)		(4,891)			29,728	29,728	33,303	12,212
7499999 Totals								4,386,907	4,422,578	4,382,017		(4,891)		(4,891)			29,728	29,728	33,303	12,212

SCHEDULE D - PART 6 - SECTION 1

Valuation of Shares of Subsidiary, Controlled or Affiliated Companies

1	2	3	4	5	6	7	8	Stock of Such Company Owned by Insurer on Statement Date	
								9	10
CUSIP Identification	Description Name of Subsidiary, Controlled or Affiliated Company	Foreign	NAIC Company Code or Alien Insurer Identification Number	NAIC Valuation Method (See SVO Purposes and Procedures manual)	Do Insurer's Admitted Assets Include Intangible Assets connected with Holding of Such Company's Stock?	Total Amount of Such Intangible Assets	Book/Adjusted Carrying Value	Number of Shares	% of Outstanding
NONE									
1999999 Total - Preferred and Common Stocks X X X ..	... X X X ..

1. Amount of insurer's capital and surplus from the prior period's statutory statement reduced by any admitted EDP, goodwill and net deferred tax assets included therein: \$......0.
2. Total amount of intangible assets nonadmitted \$......0.

SCHEDULE D - PART 6 - SECTION 2

1	2	3	4	Stock in Lower-tier Company Owned Indirectly by Insurer on Statement Date	
				5	6
CUSIP Identification	Name of Lower-tier Company	Name of Company Listed in Section 1 Which Controls Lower-tier Company	Total Amount of Intangible Assets Included in Amount Shown in Column 7, Section 1	Number of Shares	% of Outstanding
NONE					
0399999 Total - Preferred and Common Stocks X X X .....	..... X X X

SCHEDULE DA - PART 1

Showing all SHORT-TERM INVESTMENT Owned December 31 of Current Year

1	Codes		4	5	6	7	Change in Book/Adjusted Carrying Value				12	13	Interest						20
	2	3					8	9	10	11			14	15	16	17	18	19	
Description	Code	For- eign	Date Acquired	Name of Vendor	Maturity Date	Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization) Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Par Value	Actual Cost	Amount Due and Accrued Dec. 31 of Current Year on Bonds Not in Default	Non-Admitted Due and Accrued	Rate of	Effective Rate of	How Paid	Gross Amount Received	Paid For Accrued Interest
U.S. Governments - Issuer Obligations																			
FNMA DISC NT	12/28/2007	NORTHERN TRUST	01/22/2008	.... 1,500,000	.....	..... (3,850)	.....	.....	.... 1,500,000	.... 1,496,150	.....	.....	.....	.....	.. JJ ..	.....	.....
0199999 Subtotal - U.S. Governments - Issuer Obligations .....						.... 1,500,000	.....	..... (3,850)	.....	.....	.... 1,500,000	.... 1,496,150	.....	.....	.. X X X .	.. X X X .	. X X X .	.....	.....
0399999 Subtotal - U.S. Government Bonds .....						.... 1,500,000	.....	..... (3,850)	.....	.....	.... 1,500,000	.... 1,496,150	.....	.....	.. X X X .	.. X X X .	. X X X .	.....	.....
5499999 Subtotal - Issuer Obligations .....						.... 1,500,000	.....	..... (3,850)	.....	.....	.... 1,500,000	.... 1,496,150	.....	.....	.. X X X .	.. X X X .	. X X X .	.....	.....
6099999 Subtotal - Bonds .....						.... 1,500,000	.....	..... (3,850)	.....	.....	.... 1,500,000	.... 1,496,150	.....	.....	.. X X X .	.. X X X .	. X X X .	.....	.....
7799999 Subtotal - Parent, Subsidiaries and Affiliates X X X .	.....	.....	.....	.. X X X .	.. X X X .	. X X X .	.....	.....
8299999 Total Short-term Investments .....						.... 1,500,000	.....	..... (3,850)	.....	.....	.. X X X .	.... 1,496,150	.....	.....	.. X X X .	.. X X X .	. X X X .	.....	.....

E16	Schedule DB - Part A Sn 1 Opt/Cap/Floor Owned	NONE
E16	Schedule DB - Part A Sn 2 Opt/Cap/Floor Acquired	NONE
E17	Schedule DB - Part A Sn 3 Opt/Cap/Floor Term	NONE
E17	Schedule DB - Part B Sn 1 Opt/Cap/Floor In-force	NONE
E18	Schedule DB - Part B Sn 2 Opt/Cap/Floor Written	NONE
E18	Schedule DB - Part B Sn 3 Opt/Cap/Floor Term	NONE
E19	Schedule DB - Part C Sn 1 Col/Swap/Fwrdr Open	NONE
E19	Schedule DB - Part C Sn 2 Col/Swap/Fwrdr Opened	NONE
E20	Schedule DB - Part C Sn 3 Col/Swap/Fwrdr Term	NONE
E20	Schedule DB - Part D Sn 1 Futures Contracts Open	NONE
E21	Schedule DB - Part D Sn 2 Futures Contracts Opened	NONE
E21	Schedule DB - Part D Sn 3 Futures Contracts Term	NONE
E22	Schedule DB - Part E Sn 1 Counterparty Exposure	NONE

SCHEDULE E - PART 1 - CASH

1			2	3	4	5	6	7
Depository			Code	Rate of Interest	Amount of Interest Received During Year	Amount of Interest Accrued December 31 of Current Year	Balance	*
open depositories								
Cash on Deposit	First Tennessee Bank .....	.....	.....	5.000	25,026	.....	482,600	X X X
Northern Trust	Chicago Illinois .....	.....	.....	6.375	43,851	.....	429,020	X X X
0199998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories				X X X ..				X X X
0199999 Totals - Open Depositories				X X X ..	68,877	6,127	911,620	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories				X X X ..				X X X
0299999 Totals - Suspended Depositories				X X X ..				X X X
0399999 Total Cash On Deposit				X X X ..	68,877	6,127	911,620	X X X
0499999 Cash in Company's Office				X X X ..	X X X ...	X X X ...		X X X
0599999 Total Cash				X X X ..	68,877	6,127	911,620	X X X

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January	583,218	4. April	(145,114)	7. July	424,614	10. October	1,804,254
2. February	445,303	5. May	1,377,187	8. August	468,129	11. November	1,804,769
3. March	442,496	6. June	716,907	9. September	689,639	12. December	911,620

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned December 31 of Current Year

1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Gross Investment Income
NONE							
0199999 Total Cash Equivalents

SCHEDULE E - PART 3 - SPECIAL DEPOSITS

		1	2	Deposits For the Benefit of All Policyholders		All Other Special Deposits	
		Type of Deposit	Purpose of Deposit	3 Book/Adjusted Carrying Value	4 Fair Value	5 Book/Adjusted Carrying Value	6 Fair Value
States. Etc.							
1.	Alabama (AL)						
2.	Alaska (AK)						
3.	Arizona (AZ)						
4.	Arkansas (AR)						
5.	California (CA)						
6.	Colorado (CO)						
7.	Connecticut (CT)						
8.	Delaware (DE)						
9.	District of Columbia (DC)						
10.	Florida (FL)						
11.	Georgia (GA)						
12.	Hawaii (HI)						
13.	Idaho (ID)						
14.	Illinois (IL)						
15.	Indiana (IN)						
16.	Iowa (IA)						
17.	Kansas (KS)						
18.	Kentucky (KY)						
19.	Louisiana (LA)						
20.	Maine (ME)						
21.	Maryland (MD)						
22.	Massachusetts (MA)						
23.	Michigan (MI)						
24.	Minnesota (MN)						
25.	Mississippi (MS)						
26.	Missouri (MO)						
27.	Montana (MT)						
28.	Nebraska (NE)						
29.	Nevada (NV)						
30.	New Hampshire (NH)						
31.	New Jersey (NJ)						
32.	New Mexico (NM)						
33.	New York (NY)						
34.	North Carolina (NC)						
35.	North Dakota (ND)						
36.	Ohio (OH)						
37.	Oklahoma (OK)						
38.	Oregon (OR)						
39.	Pennsylvania (PA)						
40.	Rhode Island (RI)						
41.	South Carolina (SC)						
42.	South Dakota (SD)						
43.	Tennessee (TN)	B ..	Restricted Investment for the protection of the enrollees in the State of TN	6,770,634	6,823,040		
44.	Texas (TX)						
45.	Utah (UT)						
46.	Vermont (VT)						
47.	Virginia (VA)						
48.	Washington (WA)						
49.	West Virginia (WV)						
50.	Wisconsin (WI)						
51.	Wyoming (WY)						
52.	American Samoa (AS)						
53.	Guam (GU)						
54.	Puerto Rico (PR)						
55.	U.S. Virgin Islands (VI)						
56.	Northern Mariana Islands (MP)						
57.	Canada (CN)						
58.	Aggregate other alien (OT)	X X X	X X X				
59.	Total	X X X	X X X	6,770,634	6,823,040		
DETAILS OF WRITE-INS							
5801.	.....					
5802.	.....					
5803.	.....					
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X	X X X				
5899.	Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X	X X X				



SUPPLEMENTAL COMPENSATION EXHIBIT

For the Year Ended December 31, 2007
(To be filed by March 1)

PART 1 - INTERROGATORIES

1. The reporting insurer is a member of a group of insurers or other holding company system:
If yes, do the below amounts represent 1) total gross compensation paid to each individual by or on behalf of all companies which are part of the group:
or 2) allocation to each insurer:

Yes[X] No[]

Yes[X] No[]
Yes[] No[X]
2. Did any person while an officer, director, or trustee of the reporting entity receive directly or indirectly, during the period covered by this statement any commission on the business transactions of the reporting entity?

Yes[] No[X]
3. Except for retirement plans generally applicable to its staff employees, has the reporting entity any agreement with any person, other than contracts with its agents for the payment of commissions whereby it agrees that for any service rendered or to be rendered, that he/she shall receive directly or indirectly, any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement?

Yes[] No[X]

PART 2 - OFFICERS AND EMPLOYEES COMPENSATION

1 Name and Principal Position	2 Year	Annual Compensation			
		3 Salary	4 Bonus	5 All Other Compensation	6 Totals
1. This information will be sent under separate cover	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....
2.	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....
3.	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....
4.	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....
5.	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....
6.	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....
7.	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....
8.	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....
9.	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....
10.	2007 .....	.....	.....	.....	.....
.....	2006 .....	.....	.....	.....	.....
.....	2005 .....	.....	.....	.....	.....

PART 3 - DIRECTOR COMPENSATION

1 Name and Principal Position or Occupation	2 Compensation Paid or Deferred for Services as Director	3 All Other Compensation Paid or Deferred	4 Totals
This information will be sent under separate cover
9999999

Supp13 SIS Title NONE

Supp14 SIS Financial Reporting NONE

Supp15 SIS Inform. - Management and Directors NONE

Supp16 Statement Beneficial Ownership NONE



95/49200/3650000

Medicare Part D Coverage Supplement
(Net of Reinsurance)
(To be Filed By March 1)

NAIC Group Code: 1253

NAIC Company Code: 95749

	Individual Coverage		Group Coverage		5 Total Cash
	1	2	3	4	
	Insured	Uninsured	Insured	Uninsured	
1. Premiums Collected					
1.1 Standard Coverage					
1.11 With Reinsurance Coverage		X X X		X X X	
1.12 Without Reinsurance Coverage		X X X		X X X	
1.13 Risk-Corridor Payment Adjustments		X X X		X X X	
1.2 Supplemental Benefits		X X X		X X X	
2. Premiums Due and Uncollected - change					
2.1 Standard Coverage					
2.11 With Reinsurance Coverage		X X X		X X X	X X X
2.12 Without Reinsurance Coverage		X X X		X X X	X X X
2.2 Supplemental Benefits		X X X		X X X	X X X
3. Unearned Premium and Advance Premium - change					
3.1 Standard Coverage					
3.11 With Reinsurance Coverage		X X X		X X X	X X X
3.12 Without Reinsurance Coverage		X X X		X X X	X X X
3.2 Supplemental Benefits		X X X		X X X	X X X
4. Risk-Corridor Payment Adjustments - change					
4.1 Receivable		X X X		X X X	X X X
4.2 Payable		X X X		X X X	X X X
5. Earned Premiums					
5.1 Standard Coverage					
5.11 With Reinsurance Coverage		X X X		X X X	X X X
5.12 Without Reinsurance Coverage		X X X		X X X	X X X
5.13 Risk-Corridor Payment Adjustments		X X X		X X X	X X X
5.2 Supplemental Benefits		X X X		X X X	X X X
6. Total Premiums		X X X		X X X	
7. Claims Paid					
7.1 Standard Coverage					
7.11 With Reinsurance Coverage				X X X	
7.12 Without Reinsurance Coverage				X X X	
7.2 Supplemental Benefits				X X X	
8. Claim Reserves and Liabilities - change					
8.1 Standard Coverage					
8.11 With Reinsurance Coverage		X X X		X X X	X X X
8.12 Without Reinsurance Coverage		X X X		X X X	X X X
8.2 Supplemental Benefits		X X X		X X X	X X X
9. Healthcare Receivables - change					
9.1 Standard Coverage					
9.11 With Reinsurance Coverage		X X X		X X X	X X X
9.12 Without Reinsurance Coverage		X X X		X X X	X X X
9.2 Supplemental Benefits		X X X		X X X	X X X
10. Claims Incurred					
10.1 Standard Coverage					
10.11 With Reinsurance Coverage		X X X		X X X	X X X
10.12 Without Reinsurance Coverage		X X X		X X X	X X X
10.2 Supplemental Benefits		X X X		X X X	X X X
11. Total Claims		X X X		X X X	
12. Reinsurance Coverage and Low Income Cost Sharing					
12.1 Claims Paid - net to reimbursements applied	X X X		X X X		
12.2 Reimbursements Received but Not Applied - change	X X X		X X X		
12.3 Reimbursements Receivable - change	X X X		X X X		X X X
12.4 Healthcare Receivables - change	X X X		X X X		X X X
13. Aggregate Policy Reserves - change					X X X
14. Expenses Paid		X X X		X X X	
15. Expenses Incurred		X X X		X X X	X X X
16. Underwriting Gain/Loss		X X X		X X X	X X X
17. Cash Flow Results	X X X	X X X	X X X	X X X	



Statement of Actuarial Opinion

INDEX TO HEALTH
ANNUAL STATEMENT

Analysis of Nonadmitted Assets	16
Analysis of Operations By Lines of Business	7
Assets	2
Cash Flow	6
Exhibit 1 - Enrollment By Product Type for Health Business Only	17
Exhibit 2 - Accident and Health Premiums Due and Unpaid	18
Exhibit 3 - Health Care Receivables	19
Exhibit 4 - Claims Unpaid and Incentive Pool, Withhold and Bonus	20
Exhibit 5 - Amounts Due From Parent, Subsidiaries and Affiliates	21
Exhibit 6 - Amounts Due To Parent, Subsidiaries and Affiliates	22
Exhibit 7 - Part 1 - Summary of Transactions With Providers	23
Exhibit 7 - Part 2 - Summary of Transactions With Intermediaries	23
Exhibit 8 - Furniture, Equipment and Supplies Owned	24
Exhibit of Capital Gains (Losses)	15
Exhibit of Net Investment Income	15
Exhibit of Premiums, Enrollment and Utilization (State Page)	30
Five-Year Historical Data	29
General Interrogatories	27
Jurat Page	1
Liabilities, Capital and Surplus	3
Notes To Financial Statements	25
Overflow Page For Write-ins	55
Schedule A - Part 1	E01
Schedule A - Part 2	E02
Schedule A - Part 3	E03
Schedule A - Verification Between Years	31
Schedule B - Part 1	E04
Schedule B - Part 2	E05
Schedule B - Verification Between Years	31
Schedule BA - Part 1	E06
Schedule BA - Part 2	E07
Schedule BA - Verification Between Years	31
Schedule D - Part 1	E08
Schedule D - Part 1A - Section 1	33
Schedule D - Part 1A - Section 2	36
Schedule D - Part 2 - Section 1	E09
Schedule D - Part 2 - Section 2	E10
Schedule D - Part 3	E11
Schedule D - Part 4	E12
Schedule D - Part 5	E13
Schedule D - Part 6 - Section 1	E14
Schedule D - Part 6 - Section 2	E14
Schedule D - Summary By Country	32
Schedule D - Verification Between Years	32
Schedule DA - Part 1	E15
Schedule DA - Part 2 - Verification Between Years	39
Schedule DB - Part A - Section 1	E16
Schedule DB - Part A - Section 2	E16
Schedule DB - Part A - Section 3	E17
Schedule DB - Part A - Verification Between Years	40
Schedule DB - Part B - Section 1	E17
Schedule DB - Part B - Section 2	E18
Schedule DB - Part B - Section 3	E18
Schedule DB - Part B - Verification Between Years	40
Schedule DB - Part C - Section 1	E19
Schedule DB - Part C - Section 2	E19
Schedule DB - Part C - Section 3	E20
Schedule DB - Part C - Verification Between Years	41
Schedule DB - Part D - Section 1	E20

INDEX TO HEALTH
ANNUAL STATEMENT

Schedule DB - Part D - Section 2	E21
Schedule DB - Part D - Section 3	E21
Schedule DB - Part D - Verification Between Years	41
Schedule DB - Part E - Section 1	E22
Schedule DB - Part E - Verification	41
Schedule DB - Part F - Section 1	42
Schedule DB - Part F - Section 2	43
Schedule E - Part 1 - Cash	E23
Schedule E - Part 2 - Cash Equivalents	E24
Schedule E - Part 3 - Special Deposits	E25
Schedule S - Part 1 - Section 2	44
Schedule S - Part 2	45
Schedule S - Part 3 - Section 2	46
Schedule S - Part 4	47
Schedule S - Part 5	48
Schedule S - Part 6	49
Schedule T - Part 2 - Interstate Compact	51
Schedule T - Premiums and Other Considerations	50
Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group	52
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates	53
Statement of Revenue and Expenses	4
Summary Investment Schedule	26
Supplemental Exhibits and Schedules Interrogatories	54
Underwriting and Investment Exhibit - Part 1	8
Underwriting and Investment Exhibit - Part 2	9
Underwriting and Investment Exhibit - Part 2A	10
Underwriting and Investment Exhibit - Part 2B	11
Underwriting and Investment Exhibit - Part 2C	12
Underwriting and Investment Exhibit - Part 2D	13
Underwriting and Investment Exhibit - Part 3	14